

Fertin Pharma A/S

Dandyvej 19, 7100 Vejle

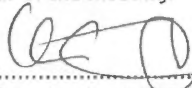
CVR no. 25 83 48 44

Annual report

for the year 1 January - 31 December 2024

Approved at the Company's annual general meeting on 12 June 2025

Chair of the meeting:



.....
Christopher Beck Lambert

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Fertin Pharma A/S for the financial year 1 January - 31 December 2024.

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

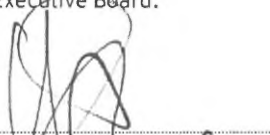
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Vejle, 12 June 2025

Executive Board:

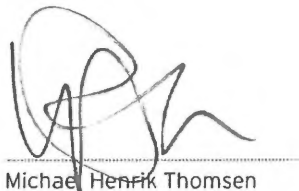


Michael Henrik Thomsen
Managing Director

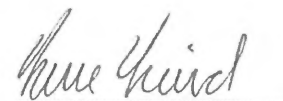
Board of Directors:



Christopher Beck Lambert
Chairman



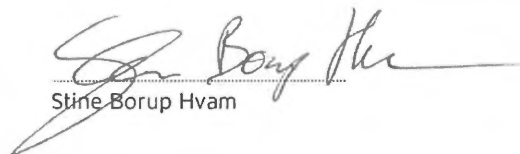
Michael Henrik Thomsen



Lene Lind



Bo Korsgaard Jensen



Stine Borup Hvam

Independent auditor's report

To the shareholder of Fertin Pharma A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Fertin Pharma A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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

Odense, 12 June 2025
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Brian Petersen
State Authorised Public Accountant
mne33722

Management's review

Company details

Name	Fertin Pharma A/S
Address, Postal code, City	Dandyvej 19, 7100 Vejle
CVR no.	25 83 48 44
Established	2 January 2001
Registered office	Vejle
Financial year	1 January - 31 December
Website	www.fertin.com
Telephone	+45 72 15 13 00
Board of Directors	Christopher Beck Lambert, Chairman Michael Henrik Thomsen Lene Lind Bo Korsgaard Jensen Stine Borup Hvam
Executive Board	Michael Henrik Thomsen, Managing Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 5230 Odense

Management's review

Financial highlights

DKKm	2024	2023	2022	2021	2020
Key figures					
Revenue	1,104	1,013	894	943	991
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-27	50	54	241	342
Operating profit/loss	-166	-72	-75	96	192
Net financials excl. investment in group enterprises	-58	-50	-14	-28	-26
Net financials	-142	-91	-39	-41	-34
Profit/loss for the year	-259	-137	-91	38	155
Financial ratios					
Total assets	2,571	2,498	2,249	2,021	1,998
Investments in property, plant and equipment	101	123	158	123	61
Equity	1,504	458	596	681	770
Current ratio	265.0%	242.3%	39.6%	38.9%	102.2%
Equity ratio	58.5%	18.3%	26.5%	33.7%	38.5%
Return on equity	-26.4%	-26.0%	-14.3%	5.2%	20.0%
Average number of full-time employees					
Average number of full-time employees	868	798	690	654	622

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

Operating profit/loss	Profit/loss before net financials +/- Other operating income and other operating expenses
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Management's review

Business review

Business Activities

Fertin Pharma A/S ("Fertin Pharma" or the "Company") is a specialist Contract Development and Manufacturing Organization ("CDMO") offering innovative, high quality pharmaceutical and nutraceutical products for oral and intra oral delivery. The Company's current main product formats ("delivery systems") are chewing gum, lozenges, powders, fast dissolvable tablets, Zapliq® chewables, and Zapliq® chewing gum.

Fertin Pharma is the world's largest independent developer and manufacturer of medicated chewing gum and has over recent years expanded into other specialized solid dosage oral and intra oral delivery systems. The Company strives to develop innovative oral and intra oral delivery systems that offer convenient and pleasurable delivery of active pharmaceutical ingredients ("APIs") and nutraceutical ingredients ("AIs") to patients and consumers. In 2024, the largest category continues to be high quality chewing gum and lozenges systems applied within Nicotine Replacement Therapy ("NRT") category. In line with its diversification strategy, Fertin Pharma continues to leverage its highly flexible delivery systems to grow business outside the NRT category, applying a wider range of APIs and AIs for OTC pharma and nutraceutical categories.

In addition to Fertin Pharma's group-external CDMO business, the Company is engaged in delivering innovation, R&D and production supporting its parent company's commercial activities, which - as these activities continue to grow in relative size to the group-external activities - affects the Company's financial figures materially.

The Company is headquartered in Vejle, Denmark, where it owns and operates US FDA and EU GMP approved R&D and manufacturing facilities. Furthermore, Fertin Pharma owns and operates commercial, R&D, and manufacturing facilities in India and Canada.

Business Review and Outlook

Throughout 2024, Fertin Pharma has continued to execute the planned activities related to diversification of its external CDMO business. Even though at an early stage, sales have increased across all active categories compared to 2023 and have a positive outlook leading into 2025.

The majority of growth within the nutraceutical categories has materialized in the subsidiary Fertin Canada and sister-company NCP NextGen and is hence not reflected in the revenue of Fertin Pharma (in this report).

Despite these positive developments, the NRT category still forms the backbone of Fertin Pharma's CDMO business.

Following PMI's acquisition of Claudio Holdco, the Fertin Pharma group has continued to increase its engagement in providing innovation, R&D and production, supporting PMI's "smoke-free future strategy". As these activities grow in relative size to the Company's external CDMO activities, the totality of Fertin Pharma's business changes accordingly, which is mainly reflected in the development in the proportions of R&D and CAPEX investments over revenue growth. This is mainly reflected in below summary with increased investments by 41 MDKK (2024: 126 MDKK) compared to the previous reporting year (2023: 85 MDKK) and higher depreciation costs by 21 MDKK (2024: 157MDKK) compared to the previous reporting year (2023: 136 MDKK). During 2024, Fertin Pharma has received a capital injection of 1,300 MDKK to provide funding for the increase in these group-related activities/investments including the commercial geographical expansion activities hosted in the subsidiaries in India and Malaysia that increased by 43 MDKK (2024: 84 MDKK) compared to the previous reporting year (2023: 41 MDKK).

In 2024 Fertin Pharma worked intensively with topics related to compliance within the areas of ESG (Environmental, Social and Governance), IT security (NIST2D) as well as internal control environment for financial reporting (Sarbanes-Oxley Act section 404). The accelerated activities and forming of needed operational procedures, controls systems and reporting has affected the accounts for 2024 materially, which is expected also to be the case in 2025 - until the new procedures are fully anchored in fully optimized and system-supported procedures.

During the fourth quarter of 2024, Fertin Pharma has implemented an adjustment of its Danish organization, investing in future efficiency of operations. Total cost of strategic initiatives recognized in 2024 is 29 MDKK. All related effects have been provided for and included in the 2024 annual report.

Management's review

Key figures

DKKm	2024	2023
Gross profit	241	234
EBITDA normalized	145	150
Research cost	-126	-85
Strategic initiatives	-29	0
Depreciations	-157	-136
Income from investments in group enterprises	-84	-41

Management expects the 2025 growth and profitability to grow compared to 2024, and the raw materials and energy prices are expected to stabilize at the 2024 level with only moderate inflation. As a result, management expects the 2025 result to improve compared to 2024. Revenue is expected in the range of 1,200 to 1,300 MDKK and result before tax is expected in the range of -20 to -50 MDKK primarily due to increased sales, lower costs and increased income from investments in group enterprises.

Financial review

In 2024, Fertin Pharma A/S realized a revenue of 1,104 MDKK which is in line with the expected revenue (2023: 1,012 MDKK). The realized loss before tax is 308 MDKK (2023: -163 MDKK). In 2024 investments in R&D 126 MDKK increased by 41 MDKK compared to 2023. The investments in commercial geographical expansions in SEA has increased by 43 MDKK (2023: 84 MDKK) compared to the previous year (2023: 41 MDKK). Furthermore, the result for 2024 is impacted by strategic initiatives of 29 MDKK and interest rates.

Overall, the financial result of the year is regarded in line with expectations.

Investments

In 2024 investments were focused on increasing manufacturing capacity for pharmaceutical and nutraceutical products driven by our geo-expansion strategy and expanded R&D capabilities to support the development in demand from existing and new customers.

Knowledge resources

It is essential for the Company's continued growth to attract and retain highly educated employees with expertise in the development and production of pharmaceutical and nutraceutical products. The Company offers both internal and external training programmes.

Financial risks and use of financial instruments

Currency risks

The Company primarily invoices in DKK and EUR and most goods purchased are denominated in DKK or EUR and to a lesser extent USD. Any identified significant risks are hedged using financial instruments.

Interest-rate risks

Revolving credit facilities are based on floating interest rates.

Credit risks

In accordance with the Company's policy for assuming credit risks, all major customers and other business partners are credit rated. The credit risk relating to individual customers or partners is considered relatively low.

Research and development activities

Investments in research and development activities have been as expected.

Management's review

Statutory CSR report

The external and internal environmental impact is considered low.

The Company's report on social responsibility matters can be found at the following link:
<https://www.fertin.com/sustainability/>

Report on the gender composition of Management

Fertin strives to attract highly skilled employees to support a high-performance organization and promotes gender equality among managers and at all levels in the organization. We ensure this through both recruitment and succession planning. In 2024, the distribution of genders was as shown.

Overview

	2024	2023
<i>Supreme governing body</i>		
Total number of members	5	5
Underrepresented gender in %	40	40
<i>Other levels of management</i>		
Total number of members	7	6
Underrepresented gender in %	57	33

Supreme governing body

As of the reporting date Fertin Pharma A/S has fulfilled the definition of gender equality for the supreme governing body of the Company. Thus no new policies has been established, nor any new goals for gender equality for Fertin Parhma A/S has been set.

Other levels of management

As of the reporting date Fertin Pharma A/S has fulfilled the definition of gender equality for the other levels of management of the Company. Thus no new policies has been established, nor any new goals for gender equality for Fertin Parhma A/S has been set.

Data ethics

Apart from coherence with the Company's Code of Conduct and general GDPR legislation, Management does not find it relevant to implement additional, independent policies on data ethical code of conduct. In forming this opinion, Management has put emphasis to the fact that the Company does not engage in comprehensive or larger scale collection, storage, or analysis of external personnel data, as a part of the Company's main activity.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2024	2023
3	Revenue	1,104,175	1,012,566
5,4	Production costs	-1,004,228	-883,362
	Gross profit	99,947	129,204
5	Distribution costs	-41,686	-39,222
5,4,6	Administrative expenses	-75,017	-61,596
	Operating profit/loss	-16,756	28,386
	Other operating income	15	0
	Other operating expenses	-44	0
5,4	Research and development costs	-149,211	-99,911
	Profit/loss before net financials	-165,996	-71,525
	Income from investments in group enterprises	-84,018	-41,450
7	Financial income	16,375	3,998
8	Financial expenses	-74,042	-53,997
	Profit/loss before tax	-307,681	-162,974
9	Tax for the year	48,670	26,273
	Profit/loss for the year	-259,011	-136,701

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2024	2023
	ASSETS		
	Fixed assets		
11	Intangible assets		
	Completed development projects	172,678	166,428
	Software	154,664	73,894
	Development projects in progress and prepayments for intangible assets	278,788	240,927
		<u>606,130</u>	<u>481,249</u>
12	Property, plant and equipment		
	Land and buildings	452,872	456,633
	Equipment and machinery	454,139	418,644
	Fixtures and fittings, plant and other equipment	7,872	4,438
	Leasehold improvements	0	32
	Property, plant and equipment under construction	172,246	313,499
		<u>1,087,129</u>	<u>1,193,246</u>
13	Investments		
	Investments in group enterprises	119,458	67,663
		<u>119,458</u>	<u>67,663</u>
	Total fixed assets	<u>1,812,717</u>	<u>1,742,158</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	124,160	145,576
	Work in progress	27,572	31,358
	Finished goods and goods for resale	101,504	96,315
		<u>253,236</u>	<u>273,249</u>
	Receivables		
	Trade receivables	139,857	149,426
	Construction contracts	0	590
14	Receivables from group enterprises	338,362	315,001
	Other receivables	8,894	1,755
15	Prepayments	9,655	10,198
		<u>496,768</u>	<u>476,970</u>
	Cash	<u>8,064</u>	<u>5,822</u>
	Total non-fixed assets	<u>758,068</u>	<u>756,041</u>
	TOTAL ASSETS	<u>2,570,785</u>	<u>2,498,199</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2024	2023
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	1,370,511	70,511
	Reserve for development costs	352,143	318,198
	Retained earnings	-219,104	69,699
	Total equity	1,503,550	458,408
	Provisions		
17	Deferred tax	91,832	125,775
	Total provisions	91,832	125,775
	Liabilities other than provisions		
18	Non-current liabilities other than provisions		
	Payables to group enterprises	633,642	1,564,541
	Other payables	56,157	37,688
		689,799	1,602,229
	Current liabilities other than provisions		
18	Short-term part of long-term liabilities other than provisions	556	698
	Trade payables	108,850	101,687
	Payables to group enterprises	3,329	36,248
	Other payables	172,869	173,154
		285,604	311,787
	Total liabilities other than provisions	975,403	1,914,016
	TOTAL EQUITY AND LIABILITIES	2,570,785	2,498,199

- 1 Accounting policies
- 2 Events after the balance sheet date
- 10 Appropriation of profit/loss
- 19 Contractual obligations and contingencies, etc.
- 20 Security and collateral
- 21 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2023	70,511	267,929	257,905	596,345
10	Transfer, see "Appropriation of profit/loss"	0	50,269	-186,970	-136,701
	Adjustment of investments through foreign exchange adjustments	0	0	-1,236	-1,236
	Equity at 1 January 2024	70,511	318,198	69,699	458,408
	Capital increase	1,300,000	0	0	1,300,000
10	Transfer, see "Appropriation of profit/loss"	0	33,945	-292,956	-259,011
	Adjustment of investments through foreign exchange adjustments	0	0	4,153	4,153
	Equity at 31 December 2024	1,370,511	352,143	-219,104	1,503,550

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Fertin Pharma A/S for 2024 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Pursuant to section 112(2) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Fertin Pharma A/S are included in the consolidated financial statements of Philip Morris International Inc., 677 Washington blvd., Suite 1100, Stamford, Connecticut, USA (TIN no. 13-3435103)

Reclassification has been made in the comparative figures in the income statement, which has no impact on the profit/loss after tax, total assets, or equity.

Similarly, reclassification has been made of:

- Equity notes: Translation reserve for 2023 of DKK'000 8,289 has been moved into retained earnings.
- Income statement: Amortization of goodwill of DKK'000 4,378 is reclassified in 2023 from a split between production cost, administration cost and distribution cost to income from investments in group enterprises.
- Financial highlights: The impact of above has been adjusted in 2023 financial highlights.

Apart from the above changes the accounting policies are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Philip Morris International Inc.

Basis of recognition and measurement

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

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

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

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

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

Reporting currency

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

Foreign currency translation

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

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

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Research costs

The item includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Amortisation/depreciation

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

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

Completed development projects	5-20 years
Software	3-10 years
Buildings	10-70 years
Equipment and machinery	5-20 years
Fixtures and fittings, plant and other equipment	3-5 years
Leasehold improvements	6-30 years

Land is not depreciated.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Profit/loss from investments in group enterprises

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

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

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include software licences. Investment in software programs includes the cost of direct software cost and internally as externally related labour cost regarding the development process.

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

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities. Some external customers are paying for part of the development costs. These payments are offset against the booked asset.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 20 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

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

The cost of self constructed assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

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

Leases

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

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in group enterprises

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in group entities measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains and losses on disposal of group entities and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in group entities is assessed for impairment on an annual basis.

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

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

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

Receivables

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

Receivables are measured at amortised cost.

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

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

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

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

Prepayments

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

Cash

Cash comprises bank deposits.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Income taxes and deferred taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

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

Other liabilities are measured at net realisable value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

DKK'000	2024	2023
3 Segment information		
Breakdown of revenue by business segment:		
Pharma products	954,513	859,494
Non-Pharma products	149,662	153,072
	<u>1,104,175</u>	<u>1,012,566</u>

Breakdown of revenue by geographical segment:

North America	575,643	537,370
Europe	425,054	385,685
South East Asia	99,614	83,495
South America	2,738	5,347
Other countries	1,126	669
	<u>1,104,175</u>	<u>1,012,566</u>

4 Amortisation/depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	56,299	41,405
Depreciation of property, plant and equipment	100,430	94,718
	<u>156,729</u>	<u>136,123</u>

Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:

Production costs	120,682	104,816
Administrative expenses	18,807	16,334
Research costs	17,240	14,973
	<u>156,729</u>	<u>136,123</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2024	2023
5 Staff costs and incentive programmes		
Wages/salaries	468,861	377,303
Pensions	56,588	45,707
Other social security costs	8,714	8,152
Other staff costs	2,420	2,505
	<u>536,583</u>	<u>433,667</u>

Staff costs are recognised as follows in the financial statements:

Production costs	386,965	311,912
Distribution costs	19,509	17,459
Administrative expenses	36,121	35,997
Research and development costs	93,988	68,299
	<u>536,583</u>	<u>433,667</u>

The Company has capitalized DKK 49,542 thousand on intangible assets (2023: DKK 48,545 thousand) and DKK 24,315 thousand on tangible assets (2023: DKK 43,270 thousand).

	2024	2023
Average number of full-time employees	<u>868</u>	<u>798</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management for 2024 is not disclosed.

For 2023 the remuneration of Management was DKK 8,092 thousand, where DKK 349 thousand was pension. Remuneration of Management is aggregated for the Board of Directors and the Executive Board since the Executive Board consists of one director.

Incentive programmes

The Company has no incentive programmes.

DKK'000	2024	2023
6 Fee to the auditors appointed in general meeting		
Statutory audit	570	605
	<u>570</u>	<u>605</u>
7 Financial income		
Interest receivable, group entities	15,405	3,004
Other financial income	970	994
	<u>16,375</u>	<u>3,998</u>
8 Financial expenses		
Interest expenses, group entities	67,744	47,664
Other financial expenses	6,298	6,333
	<u>74,042</u>	<u>53,997</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000			2024	2023
9	Tax for the year			
	Deferred tax adjustments in the year			-33,943
	Refund in joint taxation			-14,727
				-48,670
				-26,273
10	Appropriation of profit/loss			
	Recommended appropriation of profit/loss			
	Other statutory reserves			33,945
	Retained earnings/accumulated loss			-292,956
				-259,011
				-136,701
11	Intangible assets			
			Development projects in progress and prepayments for intangible assets	
DKK'000	Completed development projects	Software		Total
Cost at 1 January 2024	369,781	153,238	250,034	773,053
Additions	0	36,555	76,758	113,313
Disposals	-232	-5	-3,790	-4,027
Transferred	38,522	68,420	-38,522	68,420
Cost at 31 December 2024	408,071	258,208	284,480	950,759
Impairment losses and amortisation at 1 January 2024	203,353	79,344	9,107	291,804
Amortisation for the year	32,098	24,201	0	56,299
Reversal of accumulated amortisation and impairment of assets disposed	-58	-1	-3,415	-3,474
Impairment losses and amortisation at 31 December 2024	235,393	103,544	5,692	344,629
Carrying amount at 31 December 2024	172,678	154,664	278,788	606,130

Financial statements 1 January - 31 December

Notes to the financial statements

11 Intangible assets (continued)

Development of medical products is defined as products with an active pharmaceutical ingredient requiring regulatory approval for the product to be developed, manufactured and sold legally.

Development projects regarding medical products include salaries, wages and other costs for development and test of products for customers.

The carrying amount of completed projects is DKK 172,679 thousand. The impairment test shows a higher commercial value.

The carrying amount of projects in progress is DKK 278,788 thousand. The impairment test shows a higher commercial value.

Development projects is regarding pharmaceutical oral products and dietary supplements. Products with pharmaceutical ingredients requires a regulatory approval, to be developed, manufactured and sold and expects to be launch within 1-5 years. Dietary supplements can be launch within 0-2 years. The projects are proceeding as planned by using resources allocated by management for the development including salaries, wages and materials cost as well as stability testing for the customer.

12 Property, plant and equipment

DKK'000	Land and buildings	Equipment and machinery	Fixtures and fittings, plant and other equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2024	806,816	1,191,020	46,564	65,839	313,499	2,423,738
Additions	0	0	0	0	64,624	64,624
Disposals	0	-1,242	0	0	-1,443	-2,685
Transferred	27,604	101,376	7,034	0	-204,434	-68,420
Cost at 31 December 2024	834,420	1,291,154	53,598	65,839	172,246	2,417,257
Impairment losses and depreciation at 1 January 2024	350,183	772,376	42,126	65,807	0	1,230,492
Depreciation	31,365	65,433	3,600	32	0	100,430
Reversal of accumulated depreciation and impairment of assets disposed	0	-794	0	0	0	-794
Impairment losses and depreciation at 31 December 2024	381,548	837,015	45,726	65,839	0	1,330,128
Carrying amount at 31 December 2024	452,872	454,139	7,872	0	172,246	1,087,129

Financial statements 1 January - 31 December

Notes to the financial statements

13 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2024	190,873
Additions	104,253
Cost at 31 December 2024	295,126
Value adjustments at 1 January 2024	-123,210
Foreign exchange adjustments	4,153
Profit/loss for the year	-79,641
Goodwill amortization	-4,377
Transfer to receivables from group enterprises	27,407
Value adjustments at 31 December 2024	-175,668
Carrying amount at 31 December 2024	119,458

The carrying amount of group entities comprises a goodwill at a carrying amount of DKK 17,509 thousand less elimination of intra-group gains of DKK 6,008 thousand.

Group entities

Name	Legal form	Domicile	Interest
Fertin India Private Ltd.	Ltd.	India	100.00%
Fertin Canada Inc.	Inc.	Canada	100.00%
Cogent International Manufacturing Inc.	Inc.	Canada	100.00%
Vectura Fertin Pharma	Private Limited	India	99.99%
Vectura Fertin Pharma Malaysia SDN. BHD.	Private Limited	Malaysia	100.00%

14 Receivables from group enterprises

Of the receivables from group enterprises, DKK'000 80,886 falls due for payment after more than 1 year after the balance sheet date.

15 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance, IT licenses, marketing fees and others.

DKK'000	2024	2023
16 Share capital		
Analysis of the share capital:		
1,370,511 shares of DKK 1,000.00 nominal value each	1,370,511	70,511
	1,370,511	70,511

There is no difference in voting rights.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2024	2023
17 Deferred tax		
Deferred tax at 1 January	125,776	139,981
Recognised in the income statement	-33,944	-26,273
Adjustments to deferred tax in previous years	0	12,068
Deferred tax at 31 December	91,832	125,776
Deferred tax relates to:		
Intangible assets	131,824	104,473
Property, plant and equipment	13,722	69,049
Inventories	-1,320	8,241
Provisions	0	-9,621
Liabilities	-30,852	-5,262
Tax loss	-21,542	-41,104
	91,832	125,776

18 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2024	Short-term portion	Long-term portion	Outstanding debt after 5 years
Payables to group enterprises	633,642	0	633,642	0
Other payables	56,713	556	56,157	34,402
	690,355	556	689,799	34,402

19 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Philip Morris ApS, which acts as administration company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2021 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 16 September 2021.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2024	2023
Rent and lease liabilities	22,591	26,931

Rental and leasing obligations include rent obligations, as well as operational leases for cars, IT equipment and machines. Within 1 year, DKK 9,570 thousand (2023: DKK 9,585 thousand) is due, and in the period 1-5 years DKK 12,930 thousand (2023: 17,346 thousand), and more than 5 years DKK 91 thousand (2023: 0 thousand) is due.

20 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2024.

Financial statements 1 January - 31 December

Notes to the financial statements

21 Related parties

Fertin Pharma A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Claudio HoldCo A/S	Vejle, Denmark	Ownership
Aspeya Inc.	Stamford, Connecticut, USA	Ownership
Philip Morris International Inc.	Stamford, Connecticut, USA	Ultimate ownership

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Philip Morris International Inc.	677 Washington blvd., Suite 1100, Stamford, Connecticut 06901, USA	The consolidated financial statement can be requisitioned in the following link: https://www.pmi.com/invest-or-relations/reports-filings

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

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