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Vivostat A/S

Borupvang 2, 3450 Allerød

Annual report

2016/17

Company reg. no. 10 03 33 65

The annual report have been submitted and approved by the general meeting on the 5 September 2017.

Tyge Korsgaard
Chairman of the meeting

Notes to users of the English version of this document:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Contents

Management's report

The board of directors and the managing director have today presented the annual report of Vivostat A/S for the financial year 1 May 2016 to 30 April 2017.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 30 April 2017 and of the company's results of its activities in the financial year 1 May 2016 to 30 April 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Allerød, 5 September 2017

Managing Director

Sven Lange

Board of directors

Tyge Korsgaard Chairman	Sven Lange	John Riis Mortensen

Independent auditor's report

To the shareholders of Vivostat A/S

Opinion

We have audited the annual accounts of Vivostat A/S for the financial year 1 May 2016 to 30 April 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 30 April 2017 and of the results of the company's operations for the financial year 1 May 2016 to 30 April 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Risskov, 5 September 2017

Martinsen
State Authorised Public Accountants
Company reg. no. 32 28 52 01

Søren Anthon Pedersen
State Authorised Public Accountant

Company data

The company	Vivostat A/S Borupvang 2 3450 Allerød	
	Company reg. no.	10 03 33 65
	Financial year:	1 May - 30 April
Board of directors	Tyge Korsgaard, Chairman Sven Lange John Riis Mortensen	
Managing Director	Sven Lange	
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Voldbjergvej 16, 2. sal 8240 Risskov	

Management's review

The Annual Report of Vivostat A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the accounting Standard on small enterprises as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity
The Company's main activities are to develop, produce and market the Vivostat System. Vivostat was established in 2000 and manufactures equipment and articles to stop bleeding and promote healing processes associated with hospitalizations. The products are used in a variety of contexts, among others during surgery and for the treatment of chronic wounds. "The raw material" is the patient's own blood from which a fibrin sealant or a platelet enriched fibrin product is recovered during a centrifugation process utilizing proprietary technology. 98% of revenue comes from exports to mainly Europe.

Development in activities and financial matters
The income statement of the Company for 2016/17 shows a result of DKK 1.043.937, which is better than budget. The year is considered as satisfactory. There has been a positive development in Results before Depreciation and Amortization. Earnings have increased significantly over the last 4 years.

In 2016/17, Vivostat A/S has changed sales setup in one of the main markets, Germany. From 1 January 2017, a Distributor Agreement has come into force. Until then, the Company operated a direct sales organization in Germany. As a result of the new sales set-up, increased sales are expected in Germany in the future. During the financial year 2016/17, extraordinary one-off costs related to the closure of direct sales in Germany were approximately DKK 1.100.000.

Several product development projects have been launched during the financial year 2016/17 in particular related to the co-delivery range of devices thus adding to the uniqueness of Vivostat's application system. During the financial year, Vivostat A/S has been approved for support from Innovationsfonden for a project on the isolation and co-application of adipose stem cells.

Management expects growth in earnings for the coming year.

Accounting policies used

The annual report for Vivostat A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for sales, advertisement, administration, premises and loss on debtors.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interes, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 10 years.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

Accounting policies used

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Technical plants and machinery	5-10 years
Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Accounting policies used

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Vivostat A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 May - 30 April

All amounts in DKK.

Note		2016/17	2015/16
	Gross profit	**12.579.219**	**13.412.455**
1	Staff costs	-9.000.501	-10.402.129
	Results before interest and depreciations	**3.578.718**	**3.010.326**
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-2.402.148	-2.723.460
	Operating profit	**1.176.570**	**286.866**
	Other financial income	-62.754	0
2	Other financial costs	-69.879	-281.710
	Results for the year	**1.043.937**	**5.156**
	Proposed distribution of the results:		
	Dividend for the financial year	1.000.000	1.000.000
	Allocated to other statutory reserves	500.000	0
	Allocated from results brought forward	-456.063	-994.844
	Distribution in total	**1.043.937**	**5.156**

Balance sheet 30 April

All amounts in DKK.

Assets

Note		2017	2016
	Fixed assets		
3	Completed development projects, including patents and similar rights arising from development projects	4.266.716	5.866.716
	Intangible fixed assets in total	4.266.716	5.866.716
4	Production plant and machinery	290.520	279.474
5	Other plants, operating assets, and fixtures and furniture	687.169	965.811
	Tangible fixed assets in total	977.689	1.245.285
	Deposits	217.493	239.068
	Financial fixed assets in total	217.493	239.068
	Fixed assets in total	**5.461.898**	**7.351.069**
	Current assets		
	Raw materials and consumables	3.855.395	3.944.179
	Manufactured goods and trade goods	1.752.385	2.041.435
	Inventories in total	5.607.780	5.985.614
	Trade debtors	3.329.129	3.390.000
6	Deferred tax assets	2.200.000	2.200.000
	Other debtors	179.489	219.052
	Accrued income and deferred expenses	234.183	225.503
	Debtors in total	5.942.801	6.034.555
	Available funds	3.226.263	683.273
	Current assets in total	**14.776.844**	**12.703.442**
	Assets in total	**20.238.742**	**20.054.511**

Balance sheet 30 April

All amounts in DKK.

Note	Equity and liabilities	2017	2016
	Equity		
7	Contributed capital	2.000.000	2.000.000
8	Reserve for development expenditure	500.000	0
9	Results brought forward	13.046.606	13.502.670
10	Proposed dividend for the financial year	1.000.000	1.000.000
	Equity in total	**16.546.606**	**16.502.670**
	Liabilities		
	Bank debts	26.857	2.110
	Trade creditors	1.075.487	2.203.411
	Debt to group enterprises	1.000.000	0
	Other debts	1.589.792	1.346.320
	Short-term liabilities in total	3.692.136	3.551.841
	Liabilities in total	**3.692.136**	**3.551.841**
	Equity and liabilities in total	**20.238.742**	**20.054.511**

11 Contingencies

Notes

All amounts in DKK.

		2016/17	2015/16
1.	**Staff costs**		
	Salaries and wages	8.301.875	9.471.028
	Pension costs	316.001	248.906
	Other costs for social security	67.369	65.786
	Other staff costs	315.256	616.409
		9.000.501	**10.402.129**
	Average number of employees	14	15
2.	**Other financial costs**		
	Other financial costs	69.879	281.710
		69.879	**281.710**

		30/4 2017	30/4 2016
3.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 May 2016	19.266.285	19.266.285
	Additions during the year	500.000	0
	Cost 30 April 2017	**19.766.285**	**19.266.285**
	Amortisation and writedown 1 May 2016	-13.399.569	-11.212.109
	Amortisation for the year	-2.100.000	-2.187.460
	Amortisation and writedown 30 April 2017	**-15.499.569**	**-13.399.569**
	Book value 30 April 2017	**4.266.716**	**5.866.716**

The development expenditure relates to development of new products.

Notes

All amounts in DKK.

		30/4 2017	30/4 2016
4.	**Production plant and machinery**		
	Cost 1 May 2016	1.321.715	1.321.715
	Additions during the year	13.194	0
	Cost 30 April 2017	**1.334.909**	**1.321.715**
	Depreciation and writedown 1 May 2016	-1.042.241	-1.033.910
	Depreciation for the year	-2.148	-8.331
	Depreciation and writedown 30 April 2017	**-1.044.389**	**-1.042.241**
	Book value 30 April 2017	**290.520**	**279.474**

5.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 May 2016	8.899.578	8.789.565
	Additions during the year	306.510	110.010
	Disposals during the year	-285.152	0
	Cost 30 April 2017	**8.920.936**	**8.899.575**
	Depreciation and writedown 1 May 2016	-7.933.767	-7.406.097
	Depreciation for the year	-300.000	-527.667
	Depreciation and writedown 30 April 2017	**-8.233.767**	**-7.933.764**
	Book value 30 April 2017	**687.169**	**965.811**

6.	**Deferred tax assets**		
	Deferred tax assets 1 May 2016	2.200.000	2.200.000
		2.200.000	**2.200.000**

Notes

All amounts in DKK.

		30/4 2017	30/4 2016
7.	**Contributed capital**		
	Contributed capital 1 May 2016	2.000.000	22.745.091
	Cash capital reduction	0	-20.745.091
		2.000.000	**2.000.000**

The share capital consists of 2.000.000 shares, each with a nominal value of DKK 1. No share hold particular rights.

		30/4 2017	30/4 2016
8.	**Reserve for development expenditure**		
	Transferred from results brought forward	500.000	0
		500.000	**0**

		30/4 2017	30/4 2016
9.	**Results brought forward**		
	Results brought forward 1 May 2016	0	-3.639.431
	Profit or loss for the year brought forward	-456.063	-994.844
	Share premium account transfered	13.502.669	4.091.854
	Cash capital reduction	0	20.745.091
	Dividends	0	-6.700.000
		13.046.606	**13.502.670**

		30/4 2017	30/4 2016
10.	**Proposed dividend for the financial year**		
	Dividend 1 May 2016	1.000.000	0
	Distributed dividend	-1.000.000	0
	Dividend for the financial year	1.000.000	1.000.000
		1.000.000	**1.000.000**

11. Contingencies

Contingent assets

The total deferred tax asset due to tax loss come to DKK 98.300.000 Only part of this amount has been booked as deferred tax asset.

Notes

All amounts in DKK.

. **Contingencies (continued)**

Joint taxation

Vivostat Holding ApS, company reg. no 37291242 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The total tax payable under the joint taxation amounts to DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.