Voldbjergvej 16, 2. sal
DK-8240 Risskov

Tlf. 87 43 96 00
Fax 76 11 44 01

www.martinsen.dk

CVR-nr. 32 28 52 01

Vivostat A/S

Borupvang 2, 3450 Allerød

Annual report

2017/18

Company reg. no. 10 03 33 65

The annual report have been submitted and approved by the general meeting on the 21 August 2018.

____

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 2017 to 30 April 2018.

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 2018 and of the company's results of its activities in the financial year 1 May 2017 to 30 April 2018.

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, 21 August 2018

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 2017 to 30 April 2018, 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 2018 and of the results of the company's operations for the financial year 1 May 2017 to 30 April 2018 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, 21 August 2018

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

Søren Anthon Pedersen
State Authorised Public Accountant
MNE-nr. 10154

Company data

The company	Vivostat A/S Borupvang 2 3450 Allerød	
	Company reg. no.	10 03 33 65
	Established:	30 June 2000
	Domicile:	Allerød
	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	
Parent company	Vivostat Holding ApS	

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 2017/18 shows a result of DKK 2.442.391 which is better than budget. The year is considered as satisfactory. There are extraordinary one-off income of DKK 271.515 due to payment of receivables previously written down to DKK 0.There has been a positive development in Results before Depreciation and Amortization. Earnings have increased significantly over the last 4-5 years.

During the financial year 2017/18 resources have been spent on two major development projects.

A machine improvement project has been completed. In spring 2018, changes in software and hardware have been implemented in both Processor and Applicator machines. The process time has also been reduced. It is expected that these changes will result in an improved customer experience. In addition, Vivostat, has developed a new product targeting abdominal surgery. The new product, called Obsidian ASG®, addresses the problem of anastomotic leakage after surgery in the colon. Vivostat's technology seals and heals biologically using the patient's own blood derived growth factors to enhance the healing process. Vivostat has, in cooperation with a partner, conducted pre-clinical trials with good data. The product is expected to be ready for launch in 2018/19.

Management expects growth in revenue and 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).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

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.

Research and development costs

Research and development costs comprise costs, salaries and wages and depreciation directly or indirectly attributable to the consolidated research and development activities.

Research costs are recognised in the profit and loss account in the year they are incurred. Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical utilisation, 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 a connection between the costs incurred and future earnings exists. Lack of official approvals, customer approvals and other uncertainties will often imply that the requirements for recognition as an asset are not met and that development costs therefore are expensed as incurred.

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.

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.

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.

Accounting policies used

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

	Useful life	Residual value
Technical plants and machinery	5-10 years	0
Other plants, operating assets, fixtures and furniture	3-5 years	0

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.

Available funds

Available funds comprise cash at bank and in hand.

Accounting policies used

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. 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 assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

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

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		2017/18	2016/17
	Gross profit	**11.745.920**	**12.579.219**
1	Staff costs	-6.860.214	-9.000.501
	Results before depreciation and amortisation	**4.885.706**	**3.578.718**
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-2.358.303	-2.402.148
	Operating profit	**2.527.403**	**1.176.570**
	Other financial income	1.219	692
2	Other financial costs	-86.231	-133.325
	Results for the year	**2.442.391**	**1.043.937**
	Proposed distribution of the results:		
	Dividend for the financial year	1.000.000	1.000.000
	Allocated to results brought forward	1.106.086	0
	Allocated to other statutory reserves	336.305	500.000
	Allocated from results brought forward	0	-456.063
	Distribution in total	**2.442.391**	**1.043.937**

Balance sheet 30 April

All amounts in DKK.

Assets

Note		2018	2017
	Fixed assets		
3	Completed development projects, including patents and similar rights arising from development projects	2.503.021	4.266.716
	Intangible fixed assets in total	2.503.021	4.266.716
4	Production plant and machinery	54.289	290.520
5	Other plants, operating assets, and fixtures and furniture	936.285	687.169
	Tangible fixed assets in total	990.574	977.689
	Deposits	200.773	217.493
	Financial fixed assets in total	200.773	217.493
	Fixed assets in total	**3.694.368**	**5.461.898**
	Current assets		
	Raw materials and consumables	4.396.183	3.855.395
	Manufactured goods and trade goods	2.307.895	1.752.385
	Inventories in total	6.704.078	5.607.780
	Trade debtors	5.655.754	3.329.129
	Deferred tax assets	2.200.000	2.200.000
	Other debtors	228.384	179.489
	Accrued income and deferred expenses	247.286	234.183
	Debtors in total	8.331.424	5.942.801
	Available funds	3.608.546	3.226.263
	Current assets in total	**18.644.048**	**14.776.844**
	Assets in total	**22.338.416**	**20.238.742**

Balance sheet 30 April

All amounts in DKK.

Note	**Equity and liabilities**	2018	2017
	Equity		
6	Contributed capital	2.000.000	2.000.000
7	Reserve for development expenditure	836.305	500.000
8	Results brought forward	14.152.692	13.046.606
9	Proposed dividend for the financial year	1.000.000	1.000.000
	Equity in total	**17.988.997**	**16.546.606**
	Liabilities		
	Bank debts	398.282	26.857
	Trade creditors	2.736.300	1.075.487
	Debt to group enterprises	0	1.000.000
	Other debts	1.214.837	1.589.792
	Short-term liabilities in total	4.349.419	3.692.136
	Liabilities in total	**4.349.419**	**3.692.136**
	Equity and liabilities in total	**22.338.416**	**20.238.742**

10 Contingencies

Notes

All amounts in DKK.

		2017/18	2016/17
1.	**Staff costs**		
	Salaries and wages	6.290.145	8.301.875
	Pension costs	354.071	316.001
	Other costs for social security	22.154	67.369
	Other staff costs	193.844	315.256
		6.860.214	**9.000.501**
	Average number of employees	10	14
2.	**Other financial costs**		
	Other financial costs	86.231	133.325
		86.231	**133.325**

		30/4 2018	30/4 2017
3.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost opening balance	19.766.285	19.266.285
	Additions during the year	336.305	500.000
	Cost closing balance	**20.102.590**	**19.766.285**
	Amortisation and writedown opening balance	-15.499.569	-13.399.569
	Amortisation for the year	-2.100.000	-2.100.000
	Amortisation and writedown closing balance	**-17.599.569**	**-15.499.569**
	Book value closing balance	**2.503.021**	**4.266.716**

The development expenditure relates to development of new products.

Notes

All amounts in DKK.

		30/4 2018	30/4 2017
4.	**Production plant and machinery**		
	Cost opening balance	1.334.909	1.321.715
	Additions during the year	0	13.194
	Cost closing balance	**1.334.909**	**1.334.909**
	Depreciation and writedown opening balance	-1.044.389	-1.042.241
	Depreciation for the year	-22.739	-2.148
	Adjustment of writedown, opening balance	-213.492	0
	Depreciation and writedown closing balance	**-1.280.620**	**-1.044.389**
	Book value closing balance	**54.289**	**290.520**
5.	**Other plants, operating assets, and fixtures and furniture**		
	Cost opening balance	8.920.935	8.899.578
	Additions during the year	351.436	306.510
	Disposals during the year	-80.247	-285.152
	Cost closing balance	**9.192.124**	**8.920.936**
	Depreciation and writedown opening balance	-8.233.767	-7.933.767
	Depreciation for the year	-235.564	-300.000
	Adjustment of writedown, opening balance	213.492	0
	Depreciation and writedown closing balance	**-8.255.839**	**-8.233.767**
	Book value closing balance	**936.285**	**687.169**

Notes

All amounts in DKK.

		30/4 2018	30/4 2017
6.	**Contributed capital**		
	Contributed capital opening balance	2.000.000	2.000.000
		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 2018	30/4 2017
7.	**Reserve for development expenditure**		
	Reserve for development expenditure opening balance	500.000	0
	Transferred from results brought forward	336.305	500.000
		836.305	**500.000**

		30/4 2018	30/4 2017
8.	**Results brought forward**		
	Results brought forward opening balance	13.046.606	0
	Profit or loss for the year brought forward	1.106.086	-456.063
	Share premium account transfered	0	13.502.669
		14.152.692	**13.046.606**

		30/4 2018	30/4 2017
9.	**Proposed dividend for the financial year**		
	Dividend opening balance	1.000.000	1.000.000
	Distributed dividend	-1.000.000	-1.000.000
	Dividend for the financial year	1.000.000	1.000.000
		1.000.000	**1.000.000**

10. Contingencies

Contingent assets

Total amount of accumulated tax deficit is DKK 98.724.065. The total deferred tax asset due to tax loss come to DKK 21.719.294. Only part of this amount has been booked as deferred tax asset.

Notes

All amounts in DKK.

10. 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.