KLIFO A/S

Smedeland 36, 2600 Glostrup

CVR no. 18 19 61 31

Annual report 2017

Approved at the Company's annual general meeting on 27/3 2018

Chairman:

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Contents

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 KLIFO A/S for the financial year 1 January - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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.

Glostrup, 23 March 2018
Executive Board:

Alejandra Mørk

Board of Directors:

Mette Kirstine Agger Chairman	Kerstin Valinder Strinnholm	Morten Nielsen

Independent auditor's report

To the shareholders of KLIFO A/S

Opinion

We have audited the financial statements of KLIFO A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 as to 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 the financial statements.

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.

Independent auditor's report

- 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 note disclosures, and whether the financial statements represent 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 internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 23 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen	Allan Nørgaard
State Authorised Public Accountant	State Authorised Public Accountant
MNE no.: mne33234	MNE no.: mne35501

Management's review

Company details

Name	KLIFO A/S
Address, Postal code, City	Smedeland 36, 2600 Glostrup
CVR no.	18 19 61 31
Established	15 November 1994
Registered office	Albertslund
Financial year	1 January - 31 December
Board of Directors	Mette Kirstine Agger, Chairman Kerstin Valinder Strinnholm Morten Nielsen
Executive Board	Alejandra Mørk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

KLIFO is a drug development consulting company providing strategic guidance and operational services to pharmaceutical and biotech companies in Europe, US and Asia. The operational services include CMC development, regulatory affairs, pharmacovigilance, clinical trial supply and clinical operations.

KLIFO has a very strong team of persons with hands-on drug development experience from the pharmaceutical industry, biotech and medical device companies.

KLIFO delivers solutions that meet the specific needs of each client and provides guidance and services in most drug development disciplines across a broad range of therapeutic areas.

Financial review

KLIFO continued the positive development in 2017 increasing business and turnover in all business areas.

The income statement for 2017 shows a profit of DKK 7,346,514 against a profit of DKK 3,870,403 last year, and the balance sheet at 31 December 2017 shows equity of DKK 15,157,559.

Management considers the Company's financial performance in the year satisfactory.

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		2017 DKK	2016 DKK'000
	Gross margin	57,322,359	37,390
2	Staff costs	-47,340,156	-32,024
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-340,737	-281
	Profit before net financials	9,641,466	5,085
3	Financial income	4,458	3
4	Financial expenses	-223,100	-107
	Profit before tax	9,422,824	4,981
5	Tax for the year	-2,076,310	-1,111
	Profit for the year	7,346,514	3,870
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	3,700,000	2,000
	Retained earnings	3,646,514	1,870
		7,346,514	3,870

Financial statements 1 January - 31 December

Balance sheet

Note		2017 DKK	2016 DKK'000
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	495,695	386
	Leasehold improvements	1,006,053	981
		1,501,748	1,367
7	Investments		
	Deposits, investments	1,229,697	803
		1,229,697	803
	Total fixed assets	2,731,445	2,170
	Non-fixed assets		
	Receivables		
	Trade receivables	23,621,928	12,671
	Work in progress	1,867,847	144
	Receivables from group enterprises	122,995	93
	Other receivables	19,918	95
	Prepayments	402,178	107
		26,034,866	13,110
	Cash	5,212,631	11,311
	Total non-fixed assets	31,247,497	24,421
	TOTAL ASSETS	33,978,942	26,591

Financial statements 1 January - 31 December

Balance sheet

Note		2017 DKK	2016 DKK'000
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	625,000	625
	Retained earnings	10,832,559	7,186
	Dividend proposed	3,700,000	2,000
	Total equity	15,157,559	9,811
	Provisions		
	Deferred tax	808,821	516
	Total provisions	808,821	516
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Other credit institutions	0	23
	Prepayments on work in progress	2,005,012	6,596
	Trade payables	5,635,030	3,016
	Payables to group enterprises	306,962	456
	Corporation tax payable	1,783,958	0
	Other payables	8,281,600	6,173
		18,012,562	16,264
	Total liabilities other than provisions	18,012,562	16,264
	TOTAL EQUITY AND LIABILITIES	33,978,942	26,591

1 Accounting policies
9 Contractual obligations and contingencies, etc.
10 Collateral
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Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2017	625,000	7,186,045	2,000,000	9,811,045
Transfer through appropriation of profit	0	3,646,514	3,700,000	7,346,514
Dividend distributed	0	0	-2,000,000	-2,000,000
Equity at 31 December 2017	625,000	10,832,559	3,700,000	15,157,559

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of KLIFO A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

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.

Income statement

Gross margin

The items revenue, direct costs, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Revenue is recognised in the income statement, if delivery is made and risk has been passed to the buyer before the end of the year.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

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

Fixtures and fittings, other plant and equipment	3-15 years
Leasehold improvements	3-15 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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 Company and its Danish group entities are jointly taxed. 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

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.

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.

Investments

Investments consist of rent deposits and is measured at cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates 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.

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.

Work in progress

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.

Equity

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income 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.

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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

		2017 DKK	2016 DKK'000
2	Staff costs		
	Wages/salaries	43,407,023	28,197
	Pensions	3,636,047	2,527
	Other social security costs	297,086	256
	Other staff costs	0	1,044
		47,340,156	32,024
	Average number of full-time employees	56	40
3	Financial income		
	Interest receivable, group enterprises	4,458	3
		4,458	3
4	Financial expenses		
	Interest expenses, group enterprises	13,401	1
	Other interest expenses	22,425	3
	Exchange losses	166,004	64
	Other financial expenses	21,270	39
		223,100	107
5	Tax for the year		
	Estimated tax charge for the year	1,783,958	864
	Deferred tax adjustments in the year	292,352	247
		2,076,310	1,111

6 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2017	2,155,287	1,200,743	3,356,030
Additions	269,654	205,445	475,099
Disposals	-1,209,508	0	-1,209,508
Cost at 31 December 2017	1,215,433	1,406,188	2,621,621
Impairment losses and depreciation at 1 January 2017	1,769,375	219,269	1,988,644
Depreciation	159,872	180,866	340,738
Reversal of accumulated depreciation and impairment of assets disposed	-1,209,509	0	-1,209,509
Impairment losses and depreciation at 31 December 2017	719,738	400,135	1,119,873
Carrying amount at 31 December 2017	495,695	1,006,053	1,501,748

Financial statements 1 January - 31 December

Notes to the financial statements

7 Investments

Investments consist of deposits regarding the Company's premises, DKK 1,212 thousand and other deposits, DKK 18 thousand.

8 Share capital

Analysis of changes in the share capital over the past 5 years:

	2017	2016	2015	2014	2013
Opening balance	625,000	625,000	625,000	625,000	625,000
	625,000	625,000	625,000	625,000	625,000

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its ultimate parent, Mørk Holding 2007 ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group enterprises for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial obligations

Other rent and lease liabilities:

	2017 DKK	2016 DKK'000
Rent and lease liabilities	19,997,686	7,720

Rent and lease liabilities include a rent obligation totalling DKK 18,655,167 with remaining contract terms of 7 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment.

10 Collateral

The Company has not provided any security or other collateral for assets at 31 December 2017.

11 Related parties

KLIFO A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
KLIFO Holding A/S	Glostrup	Parent company
Mørk Holding 2007 ApS	Virum	Ultimate parent company