Medicom Innovation Partner a/s
Gimsinglundvej 20
DK -7600 Struer

Annual Report 2017

1 January 2017 - 31 December 2017

The Annual Report was presented
and adopted at the Annual General
Meeting of the Group
on 7. June 2018

Chairman, Claus Bjerg

CVR No 24053415

Contents

Medicom Innovation Partner a/s

(DKK million)	2013 1/1 - 31/12	2014 1/1 - 31/12	2015 1/1 - 31/12	2016 1/1 - 31/12	**2017** **1/1 - 31/12**
Profit/loss					
Revenue	98	125	146	175	**151**
Operating profit/loss before depreciation (EBITDA)	11	14	7	3	**10**
Operating profit/loss (EBIT)	8	11	1	2	**9**
Net financials	-1	-1	0	0	**0**
Operating profit/loss before tax (EBT)	7	10	1	2	**9**
Net profit/loss for the period after tax	12	11	-2	(2)	**7**
Balance sheet					
Balance sheet total, year end	55	57	81	70	**70**
Share capital	17	17	17	17	**17**
Equity, year end	12	23	21	19	**26**
Cash flows for the year	7	-8	21	3	**-10**
Hereof cash flows from:					
Operating activities	16	-3	34	9	**(14)**
Investing activities	-1	-3	-9	(6)	**(0)**
- incl investments in intangible assets	0	-2	-8	(6)	**(0)**
- incl investments in property, plant & equipment	-1	-1	-1	(1)	**(0)**
Financing activities	-9	-1	-4	(0)	**5**
Ratios					
Profit margin, %	8,0	8,6	0,9	1,2	**6,3**
Return on assets, %	20,2	22,3	2,1	3,0	**13,7**
Return on invested capital exclusive of goodwill, %	126,3	104,2	37,5	26,1	**72,2**
Liquidity ratio	1,0	1,3	1,1	1,0	**1,4**
Equity ratio, %	22,2	39,9	26,0	26,9	**37,2**
Equity ratio, incl. subordinate loan, %	28,6	46,0	26,0	26,9	**37,2**
Financial gearing	0,4	0,4	0,0	0,0	**0,0**
Revenue/invested capital exclusive of goodwill	20,1	5,5	-2.246,7	10,1	**5,9**

Definition of Financial Ratios

Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on assets:	$\frac{\text{Operating profit/loss x 100}}{\text{Average operating assets}}$
Return on invested capital excl goodwill	$\frac{\text{Operating profit/loss before depreciation and goodwill amortisation}}{\text{Average invested capital excl goodwill}}$
Liquidity ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity end of year x 100}}{\text{Liabilities and equity end of year}}$

Board of Directors and Executive Board, etc

Medicom Innovation Partner a/s
CVR No 24053415

Country of registration	Denmark
Board of Directors	Matthew Jon Jennings (Chairman) William Patrick Welch Norman Charles Roegner III
Executive Board	Morten Nielsen (CEO)
Main bankers	Jyske Bank
Main office	Medicom Innovation Partner a/s Gimsinglundvej 20 DK-7600 Struer
Main activity	Medicom Innovation Partner a/s develops and manufactures medical devices
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 7500 Holstebro
Ownership	Phillips-Medisize Holdings A/S Gimsinglundvej 20 7600 Struer Ownership share: 100%

Management's Review

Medicom Innovation Partner develops and produces innovative drug delivery devices and connected health services. The Group is contracted to develop and produce these products on behalf of global customers and does not market own products. The Group's business therefore consists of an innovation business (strategy, feasibility and development projects) and a production business. The products developed and produced are characterized by being highly innovative in respect to design, user-friendliness, functionality and safety and are as such aiming for the high-end segment of the market.

Development in activities and financial circumstances
In the period 1 January - 31 December 2017, the Group's revenue amounted to DKK 150.5 million compared with 174.9 million in the previous year, a decrease of DKK 24.4 million, or 14%.
This decrease is driven by a decrease in the innovation business resulting from timing of the contracts Medicom Innovation Partner has signed with our customers. The development in revenue is not satisfactory and does not live up to the expectations for the year.

The operating profit before depreciation (EBITDA) was in 2016 highly influenced by one-time charges related to the Group being acquired 1. June 2016 by Phillips-Medisize and in turn Phillips-Medisize was taken over by Molex on the 26. October 2016 (DKK million):

	2017	2016
The operating profit before depreciation (EBITDA)	16.7	4.6
Cost related to new ownership	-	18.9
Operating profit before depreciation and cost related to new ownerships (EBITDA)	16.7	23.6

Operating profit/loss before depreciation and cost related to new ownerships (EBITDA) amounted to DKK 16.7 million is an increase of DKK 12,1 million or 28% compared with last year

The increase is driven by a profitable project and production portfolio and a satisfactory utilization of resources and production capacity. The Group have above that continued with a firm cost control closely aligned to our activity level. The development in profit is very satisfactory.

The lower revenue for 2017 compared to 2016 also resulted in a negative cash flow. The Group continued to do a little investments, so the total cash flow was negative for 2017 with DKK 9.3 million.

The Group will continue to develop and execute the focused strategy within the high-end segment of drug delivery devices and connected health and will long-term reinforce growth both in the projects and production business - as the two businesses are closely linked in the Group's market focus. The Group expects to continue improving both market position but certainly also the financial position.

Research and development activities
The Group has no research activities.
The Group has continued to expand its portfolio of proprietary technology accelerators and IP positions.
For product development and development of production facilities and processes, a total of DKK 13.8 million was paid during the year compared with DKK 10.3 million for 2016. Of the DKK 13.8 million, DKK 0 has been capitalised in 2017 against DKK 0 million in 2016. Development costs for the year are therefore recognised in the income statement at DKK 13.8 million for the year against DKK 10.3 million in 2016. The development activities are expected to be continued at the same level in the coming year.

Significant post balance sheet events
From the balance sheet date until today, no events have occurred which significantly affect the assessment of the Annual Report.

Expected development
The Group's financial development is as always dependent on the expected orders and their timing. Sales of contracted innovation projects as well as production of customers' product solutions are though expected to increase in 2018 than in 2017. The Group has a very good strategic fit with Phillips-Medisize/Molex and will therefore reinforce the long-term growth from previous years both in Denmark and via the office in Cambridge in the United Kingdom. Costs remain in good control. The Group therefore expects operating results in 2018 will increase compared to 2017.

The Group's capital structure
The Group has a solid equity and will continue to secure a sound financial structure in combination with the owners.

Quality management
Medicom Innovation Partner's quality management system supports the Group's development and manufacture of medical devices for drug dosing and administration, devices for diagnostic systems as well as connected health systems. The quality management system is designed so as to form the basis of certification under DS/EN ISO 9001:2000, DS/EN ISO 13485:2012, ISO 13485:2003 CMDCAS and ISO 14001:2004, respectively. The quality management system is in accordance with the national implementation of the directive for medical devices, 93/42/EEC, and moreover contains elements which ensure compliance with the requirements of FDA's 21CFR820 Quality System Regulation, Japan Quality Management System Compliance MHLW Ordinance No. 169.

Intellectual capital resources
The Group's present and future business is based on the development and manufacture of highly innovative medical devices and services. This foundation has been further developed being owned by Phillips-Medisize/Molex.

Medicom Innovation Partner focuses on maintaining and developing the competences, which are the core of the Group's innovation capacity. In practice, this means that Medicom Innovation Partner is constantly exploring new opportunities.

Innovative environment
Medicom Innovation Partner has for many years given high priority to innovation. Innovation is based on the Group's vision and is incorporated in the corporate culture and the Group's values.

The Group has a well-founded corporate culture. This means that the employees have a natural passion for innovation and are dedicated to creating "the world's most effective and unique drug delivery devices and connected health solutions".

Cooperation with universities
Cooperation with knowledge centres, including universities, is a natural part of our work and an important factor in the further development of our core competences. Medicom Innovation Partner has a long tradition of this and cooperates with leading universities. The development engineers participate in for instance relevant professional networks and conferences.

Cooperation with suppliers
Medicom Innovation Partner cooperates with some of the world's best suppliers in a number of areas in which the Group does not itself have the necessary knowledge and competence. Not only do these partners provide components to Medicom Innovation Partner, they also provide knowledge and competence for the development of the products. Furthermore, Medicom Innovation Partner benefits from having very competent customers - typically the large pharmaceutical companies - which have considerable knowledge resources which are also of benefit to Medicom Innovation Partner through cooperation in joint development projects.

Corporate social responsibility and environment

Medicom Innovation Partner is aware of its corporate social responsibility, which is expressed partly in the Group's actions towards its own employees, and partly in its actions towards other stakeholders. Medicom Innovation Partner's policies in the area are an integrated part of the Group's staff policy, Quality Management System and other systems and, among other things, address harassment, discrimination and mobbing in the workplace as well as unethical business behaviour, bribery, corruption, etc. Medicom Innovation Partner has also communicated a whistle-blower policy to ensure that any inexpediency is identified and brought to an end.

Our customers and partners regularly evaluate Medicom Innovation Partner's status toward corporate social responsibility.

Medicom Innovation Partner's environmental policy, which is certified according to ISO 14001:2004, contributes to ensuring that the Group meets its social responsibility.

Environmental policy

Medicom Innovation Partner wants its name to be associated with quality. We want our customers to contract our services based on confidence in us in respect of us making intelligent decisions on their behalf - also in respect of environmental issues.

Any human behaviour has an impact on the surroundings. Medicom Innovation Partner is constantly working on reducing the environmental impact and creating balance between this impact and the consideration for the performance characteristics of our products, finances, lifetime and aesthetics. We wish to contribute to a globally sustainable development and consider our activities in a lifecycle perspective. The Group is thus considering environmental effects and seeks to minimise the negative effects:

- Throughout the development (idea, design and engineering)
- When selecting raw materials
- During manufacturing - and also when optimising procedures
- Concerning Transport
- During use and disposal of our solutions

We always enter into dialogue with the supervising authorities to find the best solutions and in this way limit the pollution as far as possible.

We emphasise the consideration for the immediate environment and for a safe and healthy working environment for our employees. Our focus is on improving both the physical and the mental working environment.

When choosing suppliers, we ensure that these have an appropriate environmental behaviour and approach. We wish to have an ongoing dialogue with any supplier on creating good environmental conditions in the part of the lifecycle of the product for which we are responsible.

It is Medicom Innovation Partner's opinion that the Group's policies and certification in 2017 have contributed to ensuring that Medicom Innovation Partner fully complies with its environmental responsibility, which is also expected to be the case in future.

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Medicom Innovation Partner a/s for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements according to the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and Group and of the results of the Company and Group's operations and cash flows for 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company and Group, of the results for the year and of the financial position of the Company and Group as well as a description of the most significant risks and elements of uncertainty facing the Company and Group.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen 7/6 2018

Executive Board

Morten Nielsen
CEO

Board of Directors

Matthew Jon Jennings Chairman	William Patrick Welch	Normann Roegner

Independent Auditor's Report

To the Shareholders of Medicom Innovation Partner a/s

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Medicom Innovation Partner a/s for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Group's and the Parent 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 Group or the Parent 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. 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.

Holstebro 7/6 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Kim Vorret
State Authorised Public Accountant
mne33256

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Comprehensive income statement

Consolidated statement

(DKK '000)

Notes		2017	2016
6	**Revenue**	**150.532**	**174.912**
7	Production costs	(100.983)	(126.998)
	Gross profit/loss	**49.549**	**47.914**
7	Development costs	(13.823)	(10.330)
7	Distribution and marketing expenses	(11.842)	(12.022)
7	Administrative expenses etc	(13.222)	(23.124)
	Operating profit/loss	**10.662**	**2.438**
8	Financial income	602	1.026
9	Financial expenses	(806)	(1.255)
	Net financials	(204)	(229)
	Profit/loss on ordinary activities before tax	**10.458**	**2.209**
10	Tax on profit/loss on ordinary activities	(2.293)	(4.067)
	Net profit/loss for the year	**8.165**	**(1.858)**
	Other income and expenses recognised directly via equity	-	-
	Total comprehensive income statement	**8.165**	**(1.858)**

Proposed distribution of profit:

	2017	2016
Retained earnings	8.165	(1.858)
Proposed dividend for the year	-	-
	8.165	(1.858)

Assets

Consolidated statement

(DKK '000)

Notes		2017	2016
	Intangible assets		
	Acquired rights	9.397	14.396
11	Total intangible assets	9.397	14.396
	Property, plant and equipment		
	Plant and machinery	301	444
	Fixtures and fittings, tools and equipment	637	1.101
	Leasehold improvements	321	401
12	Total property, plant and equipment	1.259	1.946
	Financial assets		
13	Deferred tax assets	-	889
14	Other financial receivables	1.232	1.238
	Total financial assets	1.232	2.127
	Total non-current assets	**11.888**	**18.469**
15	**Inventories**	6.739	7.083
	Receivables		
16	Trade receivables	21.475	12.885
17	Receivables from group enterprises	8.881	-
18	Contract work in progress	9.170	10.378
19	Other receivables	58	67
	Prepayments	2.738	2.700
	Total receivables	42.322	26.030
	Cash at bank and in hand	9.675	18.992
	Total current assets	**58.736**	**52.105**
	Total assets	**70.624**	**70.574**

Liabilities and equity

Consolidated statement

(DKK '000)

Notes		2017	2016
	Equity		
20	Share capital	16.778	16.778
21	Retained earnings	10.612	2.481
	Proposed dividend for the year	-	-
	Total equity	**27.390**	**19.259**
	Non-current liabilities		
13	Deferred tax	565	-
22	Provisions	684	1.042
	Total non-current liabilities	1.249	1.042
	Current liabilities		
23	Long-term debt falling due within 1 year	-	12
22	Provisions	721	637
	Trade payables	5.432	6.416
18	Prepayments received	5.175	16.022
17	Payables to group enterprises	5.896	500
	Current tax payables	1.119	369
24	Other payables	23.642	26.317
	Total current liabilities	41.985	50.273
	Total liabilities	**43.234**	**51.315**
	Total liabilities and equity	**70.624**	**70.574**

Consolidated Statement of Changes in Equity

Consolidated statement

(DKK '000)

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2016	**16.778**	**4.339**	**-**	**21.117**
Net profit/loss for the year	-	(1.858)	-	(1.858)
Equity at 31 December 2016	**16.778**	**2.481**	**-**	**19.259**
Equity at 1 January 2017	**16.778**	**2.481**	**-**	**19.259**
Net profit/loss for the year	-	8.131	-	8.131
Proposed dividend for the year	-	-	-	-
Equity at 31 December 2017	**16.778**	**10.612**	**-**	**27.390**

Cash Flow Statement

Consolidated statement

(DKK '000)

Notes		2017	2016
	Net profit/loss for the year	8.165	(1.858)
	Depreciation, amortisation and impairment losses	6.029	2.187
25	Adjustments	2.100	4.530
26	Change in working capital	(30.163)	4.664
	Cash flows from operating activities	**(13.869)**	**9.523**
	Deposits	6	(95)
	Purchase of intangible assets	(162)	(5.501)
	Purchase of property, plant and equipment	(181)	(811)
	Cash flows from investing activities	**(337)**	**(6.407)**
	Financial income	602	1.026
	Financial expenses	(806)	(1.255)
	Repayment of long-term loans	(12)	(99)
	Loan	5.105	-
	Cash flows from financing activities	**4.889**	**(328)**
	Cash flows for the year	**(9.317)**	**2.788**
	Cash and cash equivalents, beginning of year	18.992	16.204
	Cash and cash equivalents, end of year	**9.675**	**18.992**
	Cash and cash equivalents consist of:		
	Cash at bank and in hand	9.675	18.992
	Cash and cash equivalents, end of period	**9.675**	**18.992**

Notes

Notes

1 Accounting Policies

Basis of preparation

Consolidated and Parent Company Financial Statements of Medicom Innovation Partner a/s has been prepared in accordance with International Financial Reporting Standards as approved by the EU (IFRS) and additional Danish disclosure requirements applying to medium-sized enterprises of reporting class C, cf IFRS notification issued according to the Danish Financial Statements Act. IFRS has been implemented so that the Annual Report also complies with the provisions of International Financial Reporting Standards (IFRS) issued by IASB.

Consolidated and Parent Company Financial Statements is presented in DKK, which is considered the functional currency of the Group.

The Financial Statements have been prepared under the same accounting policies as last year.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Medicom Innovation Partner a/s, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). This includes allowing for any restructuring provisions determined in relation to the enterprise acquired. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life, but not exceeding 20 years. Any remaining negative differences are recognised in deferred income in the balance sheet as negative goodwill. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise. Negative goodwill not related to expected losses or expenses is recognised at an amount equal to the fair value of non-monetary assets in the income statement over the average useful life of the non-monetary assets.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Notes

Translation policies

Income statement
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables and payables
Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Gains and losses arising due to differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Comprehensive income

Medicom Innovation Partner a/s presents comprehensive income in two statements. An income statement and a statement of total comprehensive income which includes result for the year and income recognized in other comprehensive income. Other comprehensive income includes exchange gains/losses arising from translating the financial statements of a foreign operation.

Income statement

Revenue
Revenue is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser, and provided that the income can be stated reliably and payment is expected received. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Sale of goods
Revenue from sale of goods is recognised in the income statement provided that transfer of risk has been made to the purchaser by year end, and provided that payment is expected received and revenue can be stated reliably.

Sale of services
Revenue concerning services, which comprise, among other things, sale of hours and milestone payments relating to development projects, is recognised as the services are delivered.

Sale of licences and income from royalties
Revenue concerning licences and income from royalties are recognised when Medicom Innovation Partner has acquired the final right to the license or the royalty income.

The net effect of hedging transactions - eg forward exchange transactions - relating directly to specific cost elements is recognised in revenue together with these cost elements.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Production costs
Production costs comprise salaries and cost of sales as well as indirect costs, including salaries and amortisation, depreciation and impairment losses, paid to achieve revenue for the year.

Development costs
Development costs include the development costs not meeting the criteria for capitalisation. Furthermore, amortisation, depreciation and impairment losses on capitalised development projects are recognised.

Notes

Distribution and marketing expenses
Distribution and marketing expenses comprise expenses relating to sale and distribution of the Group's products, including salaries to sales staff, advertising and exhibition expenses as well as amortisation, depreciation and impairment losses.

Administrative expenses
Administrative expenses comprise expenses for the administrative staff, Management and office expenses, including amortisation, depreciation and impairment losses.

Leases
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.
The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.
The lease obligations are disclosed in the notes.

Financial income and expenses
Financial income and expenses comprise interest, amortisation addition and deduction, fair value adjustments and realised and unrealised exchange adjustments.

Tax
Tax for the year consists of current tax for the year and change in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible assets

Development projects
Development projects that are clearly defined and identifiable and which are considered to be marketable in the form of new products on a future potential market are recognised as intangible assets.

Development projects are recognised at cost when the criteria for recognition have been met.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Cost comprises wages, salaries, material, services and depreciation of plant and equipment attributable to the Group's development activities. Grants for development projects are deducted from expenses incurred.

Interest expenses concerning financing of development projects recognised as intangible assets are recognised together with the asset. Other interest is recognised in the income statement.

Capitalised development projects are measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable amount.

During the development work and after finalisation of the development work no amortisation is made of development projects recognised as an intangible asset and with an unpredictable useful life, but the asset is subject to an annual impairment test.

Notes

Acquired rights
Acquired rights comprise software and related consultancy hours. These are measured at cost less accumulated amortisation.

Acquired rights are amortised on a straight-line basis over 3 years.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Cost of a total asset is broken down in separate components which are depreciated separately if the useful lives of the individual components differ.

For assets acquired under finance leases cost is stated at the lower of fair value of the assets and net present value of the future minimum lease payments. At the calculation of the net present value, the interest rate implicit in the lease or the marginal loan interest of the leases is used as discounting rate.

Depreciation
Straight line depreciation is made over the expected useful lives of the assets and considering the scrap value of the asset. The following depreciation periods are applied:

Plant and machinery	
According to nature	3 - 6 years
Other plant and machinery	8 - 10 years
Other plant	3 - 10 years

Leasehold improvements are depreciated on a straight line basis over the term of the leases.

Impairment of intangible assets and fixed assets
The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the recoverable amount of the asset is stated and write-down is made to the lower of recoverable amount and carrying amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of raw materials, consumables and goods for resale equals landed cost. The cost of finished goods and work in progress comprises the cost of materials and direct labour with addition of indirect production costs.

Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management

Financing expenses are not recognised in cost.

Receivables
Receivables are recognised in the balance sheet at amortised cost, which corresponds to nominal value less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Notes

Contract work in progress
Contract work in progress is measured at the selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses - perhaps stated per milestone if the contract is divided into milestones and otherwise dictates this. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Equity

Dividend
Dividend is disclosed as a separate equity item.

Obligations

Pension obligations
Medicom Innovation Partner a/s has pension schemes comprising the employees. The pension schemes are defined contribution plans.

Expenses concerning defined contribution plans are expensed on a current basis in the income statement in the period of earning, and accrued payments received are included in other debt in the balance sheet. Payments of premium (eg a fixed amount or a fixed percentage of the salary) are made to independent insurance companies responsible for the pension obligations. When pension contributions for defined contribution plans have been paid, the Group has no further obligations to its employees or resigned staff.

Provisions
Provisions include warranty obligations and other provisions. Warranty obligations comprise obligations for improvement of products within the period of warranty. The provisions are recognised and measured based on experience of warranty work and other obligations.
Provisions are discounted if the timing effect is material, which is only the case for provisions for anniversary bonus included in other provisions.

Deferred tax and corporation tax
Provision for deferred tax is stated under the balance sheet liability method and is calculated on all temporary differences between the tax base and the carrying amount of assets and liabilities.

The tax base of assets is stated considering the planned use of the individual asset. When calculating the deferred tax, the tax base of any losses or provisions, etc. is included to the extent that it is considered likely that these may be included in future tax results. If, in that case, the deferred tax is a positive amount, this is recognised as a deferred tax asset in the balance sheet.

Corporation tax is recognised as the tax expected imposed on the taxable income for the year less tax paid on account.

Financial debts
Fixed-interest loans, such as bank loans, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost, corresponding to the capitalised value when using the effective interest rate, so that the difference between the proceeds and the nominal value (capital loss) is recognised in the income statement over the loan period

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments and deferred income
Prepayments comprise expenses concerning subsequent financial years.

Deferred income comprises payments received in respect of income in subsequent years.

Notes

Cash flow statement

The cash flow statement is presented under the indirect method based on net profit/loss for the year.

The cash flow statement shows cash flows for the year, changes for the year in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items, and corporation taxes as well as changes in working capital. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities
Cash flows from investing activities comprise acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities
Cash flows from financing activities comprise of expenses received and paid and financial income, the raising and repayment of long-term debt, dividend paid and proceeds from share capital increases.

Cash and cash equivalents
Cash and cash equivalents comprise cash holdings and withdrawals from overdraft facility. Cash flows in foreign currencies are translated at the average monthly exchange rates which do not deviate materially from the exchange rates at the date of payment.

Notes

2 New accounting standards

Medicom Innovation Partner a/s has implemented the following amendments or new standards (IFRS) for financial year 2017:

- *IAS 7, Statement of cash flows:* Additional disclosures on reconciliation of financial liabilities required. Interest-bearing debt to be reconciled from beginning to end of period.
- *IAS 12, Income taxes*: Clarifies when a difference is considered a temporary difference in respect of tax assets related to financial assets that are measured at fair value. When an enterprise has acquired a receivable which is treated as available for sale and, consequently, is measured at fair value through other comprehensive income, a subsequent decline in the fair value of the receivable will result in a temporary difference between the carrying amount and the tax base, on which deferred tax is to be calculated.
- *Annual improvements (2014-2016):* The annual improvements imply a minor clarification:
    - *IFRS 12, Disclosure of interests in other entities:* Clarification of the disclosure requirements for ownership interests in IFRS 12 also being applicable when the interests are classified as held for sale, held for distribution or as discontinued operations under IFRS 5, whereas other disclosure requirements have been exempted.

Medicom Innovation Partner a/s has assessed the effect of the new standards, amendments and interpretations and has concluded that all standards, amendments and interpretations effective for financial years beginning on or after 1 January 2017 are either not relevant to the Group or have no significant effect on the Financial Statements of the Croup.

New standards, amendments and interpretations adopted but not yet effective

The following new standards, amendments and interpretations of relevance to Medicom Innovation Partner a/s have been adopted by the IASB and adopted by the EU. The standards are not yet effective and will therefore not be implemented in the Annual Reports until they take effect.

- *IFRS 9, Financial instruments*: The standard introduces an expected loss model for impairment losses on loans and receivables. As an overriding main rule, this new model will imply larger impairment losses than those incurred under IAS 39. The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Fair value changes to financial liabilities which are attributable to the fair value and which arise from changes in own credit risks must be recognised in other comprehensive income. Simplified rules on hedge accounting are introduced.

  The standard will be effective for financial years beginning on or after 1 January 2018.

- *IFRS 15, Revenue from contracts with customers*: A new standard on revenue recognition that replaces IAS 11 and IAS 18 among others. The standard may potentially affect revenue recognition in a number of areas, including:
    - The timing of revenue recognition
    - Recognition of variable consideration
    - Allocation of revenue from multi-element arrangements
    - Recognition of revenue from licence rights
    - Incremental costs of obtaining the contract

  The standard also includes a large number of new disclosure requirements.

  IFRS 15, Revenue from contracts with customers: Clarifications of IFRS 15 concerning the identification of performance obligations, principal versus agent considerations and licence considerations as well as changes to the transition rules.

Notes

IFRS 15 and the clarifications will be effective for financial years beginning on or after 1 January 2018.

- *IFRS 16, Leases:* Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. It must furthermore be considered whether the agreement is a lease or a service arrangement.

  The current rules remain largely unchanged for the lessor. Consequently, leases are still to be classified as finance leases and operating leases.

  The standard will be effective for financial years beginning on or after 1 January 2019.

Medicom Innovation Partner a/s has assessed the effect of the new standards, amendments and interpretations. The Company expects the following effect at the time of implementation.

- IFRS 9 will be implemented in our consolidated financial statements for the financial year beginning on 1 January 2018. The implementation will not give significant changes.

- IFRS 15 will be implemented in our consolidated financial statements for the financial year beginning on 1 January 2018. The Group will apply IFRS 15 using modified retrospective application, with the cumulative effect of initially applying the standard to be adjusted to the opening balance of retained earnings 2018. Consequently, 2017 comparative figures will be reported according to IAS 11/IAS 18 and will not be restated to reflect the numbers according to IFRS 15. Note disclosures will be available stating 2018 numbers according to both IFRS 15 and IAS 11/IAS 18, to provide comparability between 2017 and 2018 and to disclose the effect from the changed regulation. Under current IAS 11/IAS 18 regulation, timing of revenue recognition is primarily dependent on the transfer of risks and rewards to the customer of the goods and services. Under IFRS 15 regulation, timing of revenue recognition is primarily dependent on the transfer of control to the customer for the relevant performance obligations in a contract. IFRS 15 does not change the underlying principles of how the Group accounts for the main revenue streams. Total revenue of a contract will remain unchanged, however the timing of the revenue recognition can potentially be deferred on some contracts. IFRS 15 does not impact the cash flows for the Group. The Group expects an impact the note disclosures, due to the IFRS 15 disclosure requirements. We have finalised our estimate made on the transition with a zero impacted on the opening balance.

- The Group is in the process of preparing for the implementation of IFRS 16, which becomes effective 1 January 2019. The Group is still in the process of making an assessment of the balance sheet impact of the standard. Based on the preliminary assessment made, the change in lease accounting requires capitalisation of operating lease contracts with an immaterial amount compared to the total assets. The lease expenses will according to the new accounting regulation be split into two elements; depreciation and interest expenses as opposed to currently being recognised as operating expenses. We expect to implement the standard based on the simplified transition method where the Group will not restate comparative information, but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

Notes

The IASB has issued the following new standards, amendments and new interpretations which are either not relevant to Medicom Innovation Partner a/s or have no significant effect on the Financial Statements of Medicom Innovation Partner a/s, but which have not yet been adopted by the EU:

- *IAS 28, Investments in associates and joint ventures*: Amendment
- *IAS 40, Investment property*: Amendment
- *IFRS 2, Share-based payment:* Amendment
- *IFRS 9, Financial instruments*: Amendment
- *IFRIC 22 - Foreign currency transactions and advance consideration:* Amendment
- *IFRIC 23, Uncertainty over income tax treatments:* Amendment
- *Annual improvements (2014-2016): Amendment regarding*
    - o *IAS 28, Investments in associates and joint ventures*
    - o *IFRS 1, First-time adoption of IFRS*
- *Annual improvements (2015-2017):* Include three minor clarifications

Medicom Innovation Partner a/s expects to implement these new standards, amendments and interpretations when they take effect.

3 Special Items

The operating profit before depreciation (EBITDA) was in 2016 highly influenced by one-time charges related to the Group being acquired 1. June 2016 by Phillips-Medisize and in turn Phillips-Medisize was taken over by Molex on the 26. October 2016 (DKK million):

	2017	2016
The operating profit before depreciation (EBITDA)	16.7	4.6
Cost related to new ownership	-	18.9
Operating profit before depreciation and cost related to new ownerships (EBITDA)	16.7	23.6

Operating profit/loss before depreciation and cost related to new ownerships (EBITDA) amounted to DKK 16.7 million is an decrease of DKK 6.9 million or 29% compared with last year

4 Significant accounting estimates and assessments

In connection with the financial reporting it is necessary for Management to make a number of accounting estimates and assessments affecting the carrying amount of certain assets and liabilities and the reported income and expenses for the accounting periods. Significant estimates are made, among other things, at the assessment of depreciation, amortisation and impairment, provisions and contingent liabilities and assets.

Management bases its estimates on historical experience and other assumptions considered reasonable in the situation. Results based on the assumptions are used to assess the carrying amount of the assets and the liabilities and the reported income and expenses not appearing elsewhere. The current results may deviate from the estimated results.

The following accounting estimates and assessments are considered significant for the Annual Report:

Notes

Development costs
Self-financed development projects that are clearly defined and identifiable and which are considered to be marketable in the form of new products on a future potential market are recognised as intangible assets. In case of uncertainty relating to the future economic benefits of the asset for the Group at the time of decision, a conservative assessment is made of the possible intangible asset based on historical experience and knowledge of customer interest as well as actual order indications.

Work in progress
Contract work in progress is recognised in revenue based on the stage of completion of the project, however, so that any future expected negative contribution margin of work in progress is immediately recognised in the income statement for the period.

The stage of completion of work in progress is estimated per project as the share of the resources used relative to the total expected resources for the project - perhaps divided into milestones if dictated by the contract. The stage of completion is estimated by the professional project manager in charge, and at the same time the probability of the work in progress in question meeting future development challenges affecting the stage of completion is considered.

In Management's estimate, after having reviewed work in progress, the estimates made are reasonable and appropriate.

Inventories
As part of the ordinary business, Medicom Innovation Partner a/s organises materials from sub suppliers for processing in the Group to meet the expected demand from the customers. A perfect organisation of materials for future customer needs is in many cases difficult, and therefore situations may arise where materials purchased or produced for the inventories are no longer expected to be in demand. Provisions for obsolescence of inventories are made in this respect. The provisions concerning inventories are made on the basis of historical scrapping due to obsolescence and knowledge and estimate of slow-moving materials.

The value of future scrapping due to obsolescence may deviate from the provision, but in Management's opinion, the estimates of obsolescence are reasonable and appropriate.

Tax
Deferred tax assets are recognised when it is probable that in future there will be sufficient taxable income to utilise the temporary differences and unutilised tax losses. The actual tax payments and results may deviate from the estimates made due to changes in expectations to the future taxable results. Management has assessed whether the tax asset should be recognised as income in the income statement and as an asset in the balance sheet. Management will continuously assess whether the accounting criteria have been met for recognition of the asset in the balance sheet and recognition as income in the income statement.

5 Financial risk management

As a consequence of Medicom Innovation Partner's international activities, the Group's income statement, balance sheet and equity will at any time be influenced, to a higher or lower degree, by a number of financial risks. These risks include:

- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

Medicom Innovation Partner addresses these risks on a current basis.

Notes

Foreign exchange risk

The Group's sales in foreign currencies, USD (6%) and EUR (88%) respectively, make up 94 per cent. This figure does not reflect the foreign exchange risk, partly because the risk is hedged if net trade takes place in very volatile currencies, and partly because it is part of the Group's purchase policy to match purchase and sales currencies to the highest possible extent.

The conclusion of significant contracts in foreign currencies is accompanied by the conclusion of forward contracts for hedging of the most material foreign exchange risks.

In 2017, no contracts have been concluded to hedge foreign exchange risks. The Group's net monetary items in foreign currencies appear from note 29.

Interest rate risk

The Group's does not have any interest bearing debt as per 31. December 2017.

Credit risk

The Group's most material, primary financial instruments comprise trade receivables. The amounts at which this balance sheet item is recognised are identical with the maximum credit risk.

The Group sells the products and services to a number of different customers. The Group assesses the credit risk relating to these customers to be limited. The individual customers are assessed on a current basis and, if necessary, bank guarantees or accounts receivable insurance is used to secure outstanding accounts.

During the last 3 years, trade receivables have been at an acceptable level, and it is the Group's assessment that no significant credit risk is involved.

Liquidity risk

In 2017, cash flows have been negative.

The Group assesses and controls financial resources on a current basis, thus ensuring that adequate flexible, unutilised borrowing facilities are available at any time from the Group's owners.
Short-term debt to credit institutions amounts to 0% of the balance sheet total compared with 0% at the end of 2017, which is acceptable.

Notes

Consolidated statement

(DKK '000)

		2017	2016
6	**Revenue**		
	Breakdown on type		
	Sale of goods	70.105	70.816
	Sale of services	80.427	104.096
	Total	150.532	174.912
	Sales value from contract work in progress recognized in the above	69.915	90.857

7 Expenses, additional information

Production costs, development costs, distribution and marketing expenses and administrative expenses, etc include the following amounts for which the following information is stated:

Development costs

	2017	2016
Development costs paid before capitalisation	13.453	10.240
Of this capitalised	-	-
Depreciation and impairment of development projects	370	90
Development costs recognised in the income statement	13.823	10.330

Classification by type of expenditure

Amortisation, intangible assets

Amortisation of intangible assets is recognised in the following items in the income statement:

	2017	2016
Production costs	4.017	820
Development costs	337	54
Distribution and marketing expenses	299	45
Administrative expenses etc	508	93
	5.161	1.012

No impairment losses have been recognised in respect of intangible assets.

Depreciation, property, plant and equipment

Depreciation of property, plant and equipment is recognised in the following items in the income statement:

	2017	2016
Production costs	755	1.044
Development costs	33	36
Distribution and marketing expenses	29	31
Administrative expenses etc	51	63
	868	1.174

Impairment losses reversed, property, plant and equipment

Impairment losses reversed, property, plant and equipment, are recognised in the following items in the income statement:

	2017	2016
Production costs	-	-
Development costs	-	-
Distribution and marketing expenses	-	-
Administrative expenses etc	-	-
	-	-

Notes

Consolidated statement

(DKK '000)

		2017	2016
7	**Expenses, additional information (continued)**		
	Staff		
	Fee to Executive Board and Board of Directors		
	- Salaries	4.082	9.079
	- Remuneration	-	131
	- Pension	75	128
	- Other expenses and staff obligations	652	416
	Total fee to Executive Board and Board of Directors	4.809	9.754
	Salaries and remuneration	53.660	63.380
	Pensions	4.566	4.251
	Other social security expenses	560	4.683
		63.595	82.068
	Average number of full-time employees		
	Denmark	89	87
		89	87
	Staff expenses are recognised in the following items in the income statement:		
	Production costs	38.609	51.689
	Development costs	10.972	8.063
	Distribution and marketing expenses	5.091	4.400
	Administrative expenses etc	8.923	17.916
		63.595	82.068
8	**Financial income**		
	Foreign exchange gain	600	643
	Other financial income	2	383
	Financial income	602	1.026
9	**Financial expenses**		
	Interest on debt to banks	65	20
	Foreign exchange loss	741	1.142
	Other financial expenses	-	93
	Financial expenses	806	1.255

Notes

Consolidated statement

(DKK '000)

10 Tax on profit/loss on ordinary activities

	2017	2016
Current tax	839	337
Adjustments to previous years tax	-	(272)
Change in deferred tax	1.454	4.002
Total tax on profit/loss on ordinary activities	2.293	4.067
Tax for the year is specified as follows:		
Tax to be recognised in the income statement	2.293	4.067
	2.293	4.067
Tax on profit/loss for the year is specified as follows:		
Calculated tax on profit/loss before tax	2.301	486
Non-deductible expenses and non-taxable income	9	3.707
Change in valuation of deferred tax assets and change in tax rate	(25)	(5)
Adjustments to Net Operating Loss Carryforward	8	(121)
	2.293	4.067
Danish tax rate	22,0%	22,0%
Tax effect of:		
Non-deductible expenses and non-taxable income	0%	168%
Unutilised tax losses	0%	0%
Change in valuation of deferred tax assets and change in tax rate	-0,2%	-0,2%
Average effective tax rate for the year	21,8%	189,6%

Corporation tax paid, incl tax on account, amounts to DKK 0k.
At 1 June 2016, Medicom Innovation Partner is part of the joint taxation with Phillips-Medisize Holdings A/S.

Notes

Consolidated statement

(DKK '000)

11 Intangible assets

	Acquired rights
Cost at 1 January 2016	18.918
Additions for the year	5.501
Disposals for the year	(6.192)
Cost at 31 December 2016	18.227
Amortisation and impairment losses at 1 January 2016	9.011
Amortisation for the year	1.012
Reversal of impairment and depreciation of sold assets	(6.192)
Amortisation and impairment losses at 31 December 2016	3.831
Carrying amount at 31 December 2016	14.396
Cost at 31 December 2016	18.227
Amortisation at 31 December 2016	3.831
Carrying amount at 31 December 2016	14.396
Cost at 1 January 2017	18.227
Additions for the year	162
Cost at 31 December 2017	18.389
Amortisation and impairment losses at 1 January 2017	3.831
Amortisation for the year	5.161
Amortisation and impairment losses at 31 December 2017	8.992
Carrying amount at 31 December 2017	9.397
Cost at 31 December 2017	18.389
Amortisation at 31 December 2017	8.992
Carrying amount at 31 December 2017	9.397

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Notes

Consolidated statement

(DKK '000)

12 Property, plant and equipment

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	7.714	7.476	315	15.505
Additions for the year	96	299	416	811
Disposals for the year	(109)	(47)	-	(156)
Cost at 31 December 2016	7.701	7.728	731	16.160
Amortisation and impairment losses at 1 January 2016	6.979	5.972	245	13.196
Amortisation for the year	387	702	85	1.174
Reversal of impairment and depreciation of sold assets	(109)	(47)	-	(156)
Amortisation and impairment losses at 31 December 2016	7.257	6.627	330	14.214
Carrying amount at 31 December 2016	444	1.101	401	1.946
Cost at 31 December 2016	7.701	7.728	731	16.160
Amortisation at 31 December 2016	7.257	6.627	330	14.214
Carrying amount at 31 December 2016	444	1.101	401	1.946
Hereof assets under finance lease:	-	121	-	121
Cost at 1 January 2017	7.701	7.728	731	16.160
Additions for the year	69	76	36	181
Cost at 31 December 2017	7.770	7.804	767	16.341
Amortisation and impairment losses at 1 January 2017	7.257	6.627	330	14.214
Amortisation for the year	212	540	116	868
Amortisation and impairment losses at 31 December 2017	7.469	7.167	446	15.082
Carrying amount at 31 December 2017	301	637	321	1.259
Cost at 31 December 2017	7.770	7.804	767	16.341
Amortisation at 31 December 2017	7.469	7.167	446	15.082
Carrying amount at 31 December 2017	301	637	321	1.259
Hereof assets under finance lease:	-	-	-	-

General, property, plant and equipment:
The carrying amount corresponds to the expected remaining life and any scrap value.

There are no contractual obligations at 31 December 2017 relating to the acquisition of property, plant and equipment (DKK 0 at 31 December 2016).

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Notes

Consolidated statement

(DKK '000)

13 Deferred tax

	Long-term assets	Short-term assets	Loss carry-forward	Provisions	Total
Deferred tax at 1 January 2016	1.669	878	(7.142)	(296)	(4.891)
Adjustment for the year	896	(280)	3.470	(84)	4.002
Deferred tax at 31 December 2016	2.565	598	(3.672)	(380)	(889)
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2016	2.565	598	(3.672)	(380)	(889)
Deferred tax at 1 January 2017	2.565	598	(3.672)	(380)	(889)
Adjustment for the year	(1.084)	(593)	2.227	904	1.454
Deferred tax at 31 December 2017	1.481	5	(1.445)	524	565
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2017	1.481	5	(1.445)	524	565

Provision for deferred tax has been made at the current Danish tax rate.

It is expected that the capitalised loss carry-forward may be utilised within a time horizon of 2 - 3 years.

14 Other financial receivables

	2017	2016
Other financial receivables (gross), end of year	1.232	1.238
Provisions for bad debts, end of year	-	-
Other financial receivables (net), end of year	1.232	1.238

The fair value of other financial receivables amounts to DKK 1,232k (2016: DKK 1,238k). The value comprises deposit for leased premises which will remain for the term of the lease.

The fair value is stated as the net present value of future expected cash flows concerning the receivables.

Notes

Consolidated statement

(DKK '000)

15 Inventories

	2017	2016
Raw materials and consumables	6.544	5.752
Work in progress	195	1.075
Finished goods and goods for resale	-	256
Inventories, end of year	6.739	7.083

Inventories are expected to be realised within a period of 12 months.

Cost of sales for the year is recognised in production costs	32.732	30.860
Write-down for the year of inventories is recognised in production costs	(65)	100
Resersal for the year of write-down of inventories is recognised in production costs	-	-

Notes

Consolidated statement

(DKK '000)

16 Trade receivables

	2017	2016
Trade receivables (gross), beginning of year	21.475	12.885
Provision for bad debt	-	-
Change of provision in the year	-	-
Realised losses in the year	-	-
Provision for bad debt, end of year	-	-
Trade receivables (net), end of year	21.475	12.885
Trade receivables not due (due 0-3 months after the balance sheet date)	21.475	12.885
Trade receivables due from 0 to 1 month before the balance sheet date	-	-
Trade receivables due more than 1 month before the balance sheet date	-	-
Trade receivables (net), end of year	21.475	12.885

All trade receivables fall due within one year.

Any provision for bad debt has been recognised directly in administrative expenses in the income statement and the provision, if any, will be made based on an individual assessment of the creditworthiness of the debtors.

The fair value of trade receivables is DKK 21,475k (2016: DKK 12,885k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

17 Receivables from and payables to group enterprises

	2017	2016
Receivables from group enterprises (gross) at 31 December	8.881	-
No provision has been made for receivables from group enterprises		

All receivables from group enterprises fall due within one year

The fair value of receivables from group enterprises is DKK 8,881k (2016: DKK 0k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

	2017	2016
Payables to group enterprises (gross) at 31 December	5.896	500

The fair value of payables to group enterprises is DKK 5,896k (2016: DKK 500k). For payables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

18 Contract work in progress

	2017	2016
Expenses conc. work performed at the balance sheet date	197.524	155.635
Profit included in the income statement, net	20.276	20.148
Sales value of work performed at the balance sheet date	217.800	175.783
Invoicing on account	(211.353)	(175.758)
	6.447	25
The net value is recognised as follows in the balance sheet:		
Contract work in progress	11.357	15.582
Prepayments received from customers conc. work in progress	(4.910)	(15.557)
	6.447	25
Contract work in progress conc. products	(2.187)	(5.204)
Prepayments received from customers conc. products	(265)	(465)
Prepayments, end of year	(5.175)	(16.022)
Contract work in progress, end of year	9.170	10.378

Notes

Consolidated statement

(DKK '000)

		2017	2016
19	**Other receivables**		
	Other receivables	58	67
	Carrying amount, end of year	58	67

All other receivables fall due within one year.

The fair value of other receivables is DKK 58k (2016: DKK 67k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is considered to correspond to the fair value.

20 Share capital

	2017	2016
The share capital consists of 16,778,061 shares of DKK 1	16.778	16.778

No shares carry any special rights.

Specification of movement on share capital	2017	2016	2015	2014	2013
Share capital at the beginning	16.778	16.778	16.778	16.778	16.778
Capital increase	-	-	-	-	-
Capital reduction	-	-	-	-	-
Share capital at the end	16.778	16.778	16.778	16.778	16.778

21 Retained earnings

In 2017 DKK 0 was paid as dividend, corresponding to DKK 0 per share (2016: DKK 0, corresponding to DKK 0 per share). A dividend of DKK 0k, corresponding to DKK 0k per share, will be proposed for 2017.

Medicom Innovation Partner's Executive Board and Board of Directors currently assess whether the Company's capital structure is adequate and which activities are necessary to ensure this.
Usually no dividend is paid out unless it may be included in net profit/loss for the year.

Notes

Consolidated statement

(DKK '000)

22 Provisions	2017	2016
Warranty provisions at 1 January	1.399	979
Provisions in the year	441	593
Provisions used in the year	-	(173)
Provisions reversed in the year	(785)	-
Warranty provisions, end of year	1.055	1.399
Provisions for anniversary bonus at 1 January	280	218
Provisions in the year	75	60
Provisions used in the year	-	(30)
Provisions reversed in the year	(18)	(7)
Change for the year in the calculation of net present value	13	39
Provisions for anniversary bonus, end of year	350	280
Provisions, end of year	1.405	1.679
The due dates for warranty provisions are expected to be as follows:		
Due within 1 year	665	637
Due within 1-5 years	390	762
Due after 5 years	-	-
Warranty provisions, end of year	1.055	1.399
The due dates for provisions for anniversary bonus are expected to be as follows:		
Due within 1 year	56	-
Due within 1-5 years	203	195
Due after 5 years	91	85
Provisions for anniversary bonus, end of year	350	280

The Company provides 3-year warranty on certain products and is therefore obliged to repair or replace items which do not function satisfactorily.

Provisions of DKK 1,055k (2016: DKK 1,399k) for expected warranty claims have been recognised based on previous experience concerning the level of repairs and returns.

The statement of the expected due dates has been prepared based on previous experience of when repairs and returns, if any, appear.

No compensation will be received from other parties concerning the provisions.

The provision for anniversary bonus is the result of discounting of the nominal expectations, as the timing effect conc. anniversary bonus is material due to the long time horizon for actual payment of the anniversary bonus. No discounting has been used concerning the warranty provision as the time horzon is limited (max 3 years) and the timing effect is therefore immaterial.

Notes

Consolidated statement

(DKK '000)

23 Short- and long-term debt

At 31 December 2016	Due within 1 year	Due within 1 - 5 years	Due after 5 years	Total due after 1 year
Long-term debt:				
Finance lease	12	-	-	-
Carrying amount at 31 December 2016	12	-	-	-
Future interest, debt not on demand:				-
Finance lease	-	-	-	-
Total future interest	-	-	-	-
Long-term debt incl future interest	12	-	-	-
Short-term debt:				
Floating-rate overdraft facility, interest level 3.5 - 4%	-	-	-	-
Carrying amount at 31 December 2016	-	-	-	-

At 31 December 2017	Due within 1 year	Due within 1 - 5 years	Due after 5 years	Total due after 1 year
Long-term debt:				
Finance lease	-	-	-	-
Carrying amount at 31 December 2017	-	-	-	-
Future interest, debt not on demand:				
Finance lease	-	-	-	-
Total future interest	-	-	-	-
Long-term debt incl future interest	-	-	-	-
Short-term debt:				
Floating-rate overdraft facility, interest level 3.5 - 4%	-	-	-	-
Carrying amount at 31 December 2017	-	-	-	-

See also the description of financial risks on page 5 of Management's Review.

The value of short- and long-term debt in Medicom Innovation Partner amounts to DKK 0k against DKK 0k in 2016 (excl finance lease).

Lease obligation
As regards the lease obligation, the agreement is subject to floating-rate interest. The fair value of the lease obligation therefore equals the nominal lease obligation, ie DKK 0k at the end of 2017 against DKK 12k at the end of 2016.

Notes

Consolidated statement

(DKK '000)

24 Other payables

	2017	2016
Payroll items	20.292	24.479
Other	3.350	1.838
Total other payables	23.642	26.317

No other payables fall due for payment after 1 year.

The fair value of other payables is DKK 23,642k (2016: DKK 26,317k).

For payables falling due within 1 year after the balance sheet date the carrying amount of the payables is in all materiality considered to equal the fair value of the payables.

25 Adjustments

	2017	2016
Change in other provisions etc	(274)	481
Financial income etc	(602)	(1.026)
Financial expenses etc	806	1.255
Exchangerate adjustment, subsidiary	(34)	-
Tax on profit/loss for the year	2.204	3.820
	2.100	4.530

26 Change in working capital

	2017	2016
Change in receivables etc	(16.292)	13.651
Change in inventories	344	(575)
Change in trade payables etc	(14.215)	(8.412)
	(30.163)	4.664

Notes

Consolidated statement

(DKK '000)

27 Fee to auditors

	2017	2016
Statutory audit		
PricewaterhouseCoopers, 2017	129	150
Fee to auditors appointed at the general meeting	129	150
Other assurance assignments	25	48
Tax advisory services	269	103
PricewaterhouseCoopers	294	151
Total fee to auditors	423	301

28 Contingent liabilities and other financial obligations

a Rental and lease obligations concerning operating lease etc

The Company has entered into operating leases concerning two cars. The periods covered by the leases run for up to 44 months as from 31 December 2017.

Moreover, the Company has entered into nine tenancy agreements. The tenancy agreements covers up to 15 months.

	2017	2016
Lease obligations relating to fixtures and fittings, etc	253	318
Rental obligations relating to offices and factory property	3.936	5.865
Total	4.189	6.183
Specified as follows:		
Due within 1 year	3.472	2.931
Due between 1 and 5 years	717	3.252
Due after more than 5 years	-	-
	4.189	6.183
Rental and lease payments for the period	3.572	2.978
Hereof minimum rental and lease payments	3.572	2.978

At the balance sheet date, there are no non-cancellable leases concerning assets held under operating lease from which rental income is received.

b Contract obligations

The Company has entered into contract obligations of DKK 524k. termination no later than 2018.

c Joint taxation

With effect from 1 June 2016, Medicom Innovation Partner is included in the joint taxation with Phillips-Medisize Holdings A/S. Danish Group companies are jointly and severally liable for tax on consolidated taxable income, etc. The total amount of the annual report for Phillips-Medisize Holdings A/S, which is the management company in relation to joint taxation.

d Litigations

Medicom Innovation Partner is not engaged in any litigation.

Notes

Consolidated statement

(DKK '000)

29 Financial instruments

The scope and type of the Company's financial instruments appear from the income statement, the balance sheet and accounting policies under notes. Below information is provided on the conditions which may affect amounts, payment date or the reliability of future payments, where such information does not directly appear from the Company's Financial Statements or follow from normal practice.

Monetary items* in foreign currencies in the balance sheet at the end of the year:

At 31 December 2016

Currency	Payment/expiry	Assets	Liabilities	Net
EUR	0-12 months	43.908	17.234	26.674
USD	0-12 months	1.181	499	682
GBP	0-12 months	87	360	(273)
Other	0-12 months	-	-	-

At 31 December 2017

Currency	Payment/expiry	Assets	Liabilities	Net
EUR	0-12 months	36.202	5.288	30.914
USD	0-12 months	9.605	2.496	7.109
GBP	0-12 months	8	-	8
Other	0-12 months	-	-	-

* Monetary items are cash at bank and in hand and similar, receivables as well as payables which are settled in cash.

Hedging of foreign currency
No forward contracts have been made at 31 December 2017.

Sensitivity to foreign exchange risks:
The quantification of foreign exchange risks was made as an +/- 10% analysis of the effect on revenue:

	2017		2016	
DKK million	Revenue	Risks	Revenue	Risks
Revenue nominated in EUR	132,3	0*	167,9	0*
Revenue nominated in USD	9,2	0,9	-	0,0
Revenue in DKK	9,1	0**	7,0	0**

* It is considered unlikely that EUR will fluctuate by +/- 10% due to Denmark's firm rates policy which allows only very marginal fluctuations
** There is no exchange risk in respect of DKK

In 2018 revenue is expected to be mainly in EUR, and therefore it is not assessed that there will be any material exchange risks.

Notes

Consolidated statement

(DKK '000)

30 Related parties

The Company's related party with controlling interest is Phillips-Medisize Holdings A/S, Struer.

The related parties with significant influence in the Company are the Executive Board and some senior employees as well as their related family members. Related parties also comprise companies in which these persons have material interests.

Executive Board and senior employees

Besides what follows from the employment, there have been no transactions with the Executive Board or senior employees. Remuneration appear from note 7.

Accounts with related parties

The payment terms for normal trade is current month plus 30 days. No security has been provided for the accounts, and there has been no need to make provisions for expected bad debt concerning these accounts. Moreover, no losses have been realised concerning these accounts in 2017 or 2016.

31 Group matters

The Company, whose controlling shareholder is Phillips-Medisize Holdings A/S, is included in the Consolidated Financial Statements of its Parent Company, Phillips-Medisize Holdings A/S, Struer. Phillips-Medisize Holdings A/S is ultimate owned by Koch Industries Inc. 4111 East 37th Street North, Wichita, Kansas 67220.

Contents

Comprehensive income statement

Medicom Innovation Partner a/s

(DKK '000)

Notes		2017	2016
1	**Revenue**	**150.532**	**174.912**
2	Production costs	(100.983)	(126.998)
	Gross profit/loss	**49.549**	**47.914**
2	Development costs	(13.823)	(10.330)
2	Distribution and marketing expenses	(13.574)	(13.071)
2	Administrative expenses etc	(12.742)	(22.339)
	Operating profit/loss	**9.410**	**2.174**
3	Financial income	602	1.026
4	Financial expenses	(806)	(1.255)
	Net financials	(204)	(229)
	Profit/loss on ordinary activities before tax	**9.206**	**1.945**
5	Tax on profit/loss on ordinary activities	(2.043)	(4.014)
	Net profit/loss for the year	**7.163**	**(2.069)**
	Other income and expenses recognised directly via equity	-	-
	Total comprehensive income statement	**7.163**	**(2.069)**
	Proposed distribution of profit:		
	Retained earnings	7.163	(2.069)
	Proposed dividend for the year	-	-
		7.163	(2.069)

Assets

Medicom Innovation Partner a/s

(DKK '000)

Notes		2017	2016
	Intangible assets		
	Acquired rights	9.397	14.396
6	Total intangible assets	9.397	14.396
	Property, plant and equipment		
	Plant and machinery	301	444
	Fixtures and fittings, tools and equipment	637	1.101
	Leasehold improvements	321	401
7	Total property, plant and equipment	1.259	1.946
	Financial assets		
8	Deferred tax assets	-	889
9	Other financial receivables	1.145	1.154
	Total financial assets	1.145	2.043
	Investments		
10	Shares	-	-
	Total investments	-	-
	Total non-current assets	**11.801**	**18.385**
11	**Inventories**	6.739	7.083
	Receivables		
12	Trade receivables	21.475	12.885
13	Receivables from group enterprises	8.881	-
14	Contract work in progress	9.170	10.378
15	Other receivables	44	32
	Prepayments	2.738	2.700
	Total receivables	42.308	25.995
	Cash at bank and in hand	9.262	18.992
	Total current assets	**58.309**	**52.070**
	Total assets	**70.110**	**70.455**

Liabilities and equity

Medicom Innovation Partner a/s

(DKK '000)

Notes		2017	2016
	Equity		
16	Share capital	16.778	16.778
17	Retained earnings	9.308	2.145
	Proposed dividend for the year	-	-
	Total equity	**26.086**	**18.923**
	Non-current liabilities		
8	Deferred tax	565	-
18	Provisions	684	1.042
	Total non-current liabilities	1.249	1.042
	Current liabilities		
19	Long-term debt falling due within 1 year	-	12
18	Provisions	721	637
	Trade payables	5.429	6.416
14	Prepayments received	5.175	16.022
13	Payables to group enterprises	8.122	1.836
	Current tax payables	873	285
20	Other payables	22.455	25.282
	Total current liabilities	42.775	50.490
	Total liabilities	**44.024**	**51.532**
	Total liabilities and equity	**70.110**	**70.455**

Statement of Changes in Equity

Medicom Innovation Partner a/s

(DKK '000)

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2016	**16.778**	**4.214**	-	**20.992**
Net profit/loss for the year	-	(2.069)	-	(2.069)
Equity at 31 December 2016	**16.778**	**2.145**	-	**18.923**
Equity at 1 January 2017	**16.778**	**2.145**	-	**18.923**
Net profit/loss for the year	-	7.163	-	7.163
Proposed dividend for the year	-	-	-	-
Equity at 31 December 2017	**16.778**	**9.308**	-	**26.086**

Cash Flow Statement

Medicom Innovation Partner a/s

(DKK '000)

Notes		2017	2016
	Net profit/loss for the year	7.163	(2.069)
	Depreciation, amortisation and impairment losses	6.029	2.187
21	Adjustments	1.972	4.477
22	Change in working capital	(29.449)	4.880
	Cash flows from operating activities	**(14.285)**	**9.475**
	Deposits	9	(47)
	Purchase of intangible assets	(162)	(5.501)
	Purchase of property, plant and equipment	(181)	(811)
	Cash flows from investing activities	**(334)**	**(6.359)**
	Financial income	602	1.026
	Financial expenses	(806)	(1.255)
	Repayment of long-term loans	(12)	(99)
	Loan	5.105	-
	Cash flows from financing activities	**4.889**	**(328)**
	Cash flows for the year	**(9.730)**	**2.788**
	Cash and cash equivalents, beginning of year	18.992	16.204
	Cash and cash equivalents, end of year	**9.262**	**18.992**
	Cash and cash equivalents consist of:		
	Cash at bank and in hand	9.262	18.992
	Credit institutions	-	-
	Cash and cash equivalents, end of period	**9.262**	**18.992**

Notes

Notes to the income statement

Notes to the balance sheet

Notes to the cash flow statement

Notes without reference

Notes

Medicom Innovation Partner a/s

(DKK '000)

		2017	2016
1	**Revenue**		
	Breakdown on type		
	Sale of goods	70.105	70.816
	Sale of services	80.427	104.096
	Total	150.532	174.912
	Sales value from contract work in progress recognized in the above	69.915	90.857

2 Expenses, additional information

Production costs, development costs, distribution and marketing expenses and administrative expenses, etc include the following amounts for which the following information is stated:

Development costs

	2017	2016
Development costs paid before capitalisation	13.453	10.240
Of this capitalised	-	-
Depreciation and impairment of development projects	370	90
Development costs recognised in the income statement	13.823	10.330

Classification by type of expenditure

Amortisation, intangible assets

Amortisation of intangible assets is recognised in the following items in the income statement:

	2017	2016
Production costs	4.017	820
Development costs	337	54
Distribution and marketing expenses	299	45
Administrative expenses etc	508	93
	5.161	1.012

No impairment losses have been recognised in respect of intangible assets.

Depreciation, property, plant and equipment

Depreciation of property, plant and equipment is recognised in the following items in the income statement:

	2017	2016
Production costs	755	1.044
Development costs	33	36
Distribution and marketing expenses	29	31
Administrative expenses etc	51	63
	868	1.174

Impairment losses reversed, property, plant and equipment

Impairment losses reversed, property, plant and equipment, are recognised in the following items in the income statement:

	2017	2016
Production costs	-	-
Development costs	-	-
Distribution and marketing expenses	-	-
Administrative expenses etc	-	-
	-	-

Notes

Medicom Innovation Partner a/s

(DKK '000)

		2017	2016
2	**Expenses, additional information (continued)**		
	Staff		
	Fee to Executive Board and Board of Directors		
	- Salaries	4.082	9.079
	- Remuneration	-	131
	- Pension	75	128
	- Other expenses and staff obligations	652	416
	Total fee to Executive Board and Board of Directors	4.809	9.754
	Salaries and remuneration	53.660	63.380
	Pensions	4.566	4.251
	Other social security expenses	560	4.683
		63.595	82.068
	Average number of full-time employees		
	Denmark	89	87
		89	87
	Staff expenses are recognised in the following items in the income statement:		
	Production costs	38.609	51.689
	Development costs	10.972	8.063
	Distribution and marketing expenses	5.091	4.400
	Administrative expenses etc	8.923	17.916
		63.595	82.068
3	**Financial income**		
	Foreign exchange gain	600	643
	Other financial income	2	383
	Financial income	602	1.026
4	**Financial expenses**		
	Interest on debt to banks	65	20
	Foreign exchange loss	741	1.142
	Other financial expenses	-	93
	Financial expenses	806	1.255

Notes

Medicom Innovation Partner a/s

(DKK '000)

5 Tax on profit/loss on ordinary activities

	2017	2016
Current tax	589	284
Adjustments to last year tax	-	(272)
Change in deferred tax	1.454	4.002
Total tax on profit/loss on ordinary activities	2.043	4.014
Tax for the year is specified as follows:		
Tax to be recognised in the income statement	2.043	4.014
	2.043	4.014
Tax on profit/loss for the year is specified as follows:		
Calculated tax on profit/loss before tax	2.025	428
Non-deductible expenses and non-taxable income	9	3.707
Change in valuation of deferred tax assets and change in tax rate	-	-
Adjustments to Net Operating Loss Carryforward	8	(121)
	2.043	4.014
Danish tax rate	22,0%	22,0%
Tax effect of:		
Non-deductible expenses and non-taxable income	0%	191%
Unutilised tax losses	0%	0%
Change in valuation of deferred tax assets and change in tax rate	0,0%	0,0%
Average effective tax rate for the year	22,1%	212,6%

Corporation tax paid, incl tax on account, amounts to DKK 0k.
At 1 June 2016, Medicom Innovation Partner is part of the joint taxation with Phillips-Medisize Holdings A/S.

Notes

Medicom Innovation Partner a/s

(DKK '000)

6 Intangible assets

	Acquired rights
Cost at 1 January 2016	18.918
Additions for the year	5.501
Disposals for the year	(6.192)
Cost at 31 December 2016	18.227
Amortisation and impairment losses at 1 January 2016	9.011
Amortisation for the year	1.012
Reversal of impairment and depreciation of sold assets	(6.192)
Amortisation and impairment losses at 31 December 2016	3.831
Carrying amount at 31 December 2016	14.396
Cost at 31 December 2016	18.227
Amortisation at 31 December 2016	3.831
Carrying amount at 31 December 2016	14.396
Cost at 1 January 2017	18.227
Additions for the year	162
Cost at 31 December 2017	18.389
Amortisation and impairment losses at 1 January 2017	3.831
Amortisation for the year	5.161
Amortisation and impairment losses at 31 December 2017	8.992
Carrying amount at 31 December 2017	9.397
Cost at 31 December 2017	18.389
Amortisation at 31 December 2017	8.992
Carrying amount at 31 December 2017	9.397

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Medicom Innovation Partner a/s

(DKK '000)

7 Property, plant and equipment

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	7.714	7.476	315	15.505
Additions for the year	96	299	416	811
Disposals for the year	(109)	(47)	-	(156)
Cost at 31 December 2016	7.701	7.728	731	16.160
Amortisation and impairment losses at 1 January 2016	6.979	5.972	245	13.196
Amortisation for the year	387	702	85	1.174
Reversal of impairment and depreciation of sold assets	(109)	(47)	-	(156)
Amortisation and impairment losses at 31 December 2016	7.257	6.627	330	14.214
Carrying amount at 31 December 2016	444	1.101	401	1.946
Cost at 31 December 2016	7.701	7.728	731	16.160
Amortisation at 31 December 2016	7.257	6.627	330	14.214
Carrying amount at 31 December 2016	444	1.101	401	1.946
Hereof assets under finance lease:	-	121	-	121
Cost at 1 January 2017	7.701	7.728	731	16.160
Additions for the year	69	76	36	181
Cost at 31 December 2017	7.770	7.804	767	16.341
Amortisation and impairment losses at 1 January 2017	7.257	6.627	330	14.214
Amortisation for the year	212	540	116	868
Amortisation and impairment losses at 31 December 2017	7.469	7.167	446	15.082
Carrying amount at 31 December 2017	301	637	321	1.259
Cost at 31 December 2017	7.770	7.804	767	16.341
Amortisation at 31 December 2017	7.469	7.167	446	15.082
Carrying amount at 31 December 2017	301	637	321	1.259
Hereof assets under finance lease:	-	-	-	-

General, property, plant and equipment:
The carrying amount corresponds to the expected remaining life and any scrap value.

There are no contractual obligations at 31 December 2017 relating to the acquisition of property, plant and equipment (DKK 0 at 31 December 2016).

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Notes

Medicom Innovation Partner a/s

(DKK '000)

8 Deferred tax

	Long-term assets	Short-term assets	Loss carry-forward	Provisions	Total
Deferred tax at 1 January 2016	1.669	878	(7.142)	(296)	(4.891)
Adjustment for the year	896	(280)	3.470	(84)	4.002
Deferred tax at 31 December 2016	2.565	598	(3.672)	(380)	(889)
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2016	2.565	598	(3.672)	(380)	(889)
Deferred tax at 1 January 2017	2.565	598	(3.672)	(380)	(889)
Adjustment for the year	(1.084)	(593)	2.227	904	1.454
Deferred tax at 31 December 2017	1.481	5	(1.445)	524	565
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2017	1.481	5	(1.445)	524	565

Provision for deferred tax has been made at the current Danish tax rate.

It is expected that the capitalised loss carry-forward may be utilised within a time horizon of 3 - 4 years.

9 Other financial receivables

	2017	2016
Other financial receivables (gross), end of year	1.145	1.154
Provisions for bad debts, end of year	-	-
Other financial receivables (net), end of year	1.145	1.154

The fair value of other financial receivables amounts to DKK 1.145k (2016: DKK 1.154k). The value comprises deposit for leased premises which will remain for the term of the lease.

The fair value is stated as the net present value of future expected cash flows concerning the receivables.

10 Investments

	Shares
Cost at 1 January	-
Additions for the year	-
Disposals for the year	-
Cost at 31 December	-
Impairment losses at 1 January	-
Reversed impairment losses on disposals for the year	-
Impairment losses at 31 December	-
Carrying amount at 31 December 2017	-

Investments in subsidaries are specified as follows:

Name	Share capital	Votes and ownership
Medicom Innovation Partner Ltd.	0	100%

Notes

Medicom Innovation Partner a/s

(DKK '000)

11 Inventories

	2017	2016
Raw materials and consumables	6.544	5.752
Work in progress	195	1.075
Finished goods and goods for resale	-	256
Inventories, end of year	6.739	7.083

Inventories are expected to be realised within a period of 12 months.

	2017	2016
Cost of sales for the year is recognised in production costs	32.732	30.860
Write-down for the year of inventories is recognised in production costs	(65)	100
Resersal for the year of write-down of inventories is recognised in production costs	-	-

Notes

Medicom Innovation Partner a/s

(DKK '000)

12 Trade receivables

	2017	2016
Trade receivables (gross), beginning of year	21.475	12.885
Provision for bad debt	-	-
Change of provision in the year	-	-
Realised losses in the year	-	-
Provision for bad debt, end of year	-	-
Trade receivables (net), end of year	21.475	12.885
Trade receivables not due (due 0-3 months after the balance sheet date)	21.475	12.885
Trade receivables due from 0 to 1 month before the balance sheet date	-	-
Trade receivables due more than 1 month before the balance sheet date	-	-
Trade receivables (net), end of year	21.475	12.885

All trade receivables fall due within one year.

Any provision for bad debt has been recognised directly in administrative expenses in the income statement and the provision, if any, will be made based on an individual assessment of the creditworthiness of the debtors.

The fair value of trade receivables is DKK 21,475k (2016: DKK 12,885k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

13 Receivables from and payables to group enterprises

	2017	2016
Receivables from group enterprises (gross) at 31 December	8.881	-

No provision has been made for receivables from group enterprises

All receivables from group enterprises fall due within one year.

The fair value of receivables from group enterprises is DKK 8,881k (2016: DKK 0k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

	2017	2016
Payables to group enterprises (gross) at 31 December	8.122	1.836

The fair value of payables to group enterprises is DKK 8,122k (2016: DKK 1,836k). For payables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

14 Contract work in progress

	2017	2016
Expenses conc. work performed at the balance sheet date	197.524	155.635
Profit included in the income statement, net	20.276	20.148
Sales value of work performed at the balance sheet date	217.800	175.783
Invoicing on account	(211.353)	(175.758)
	6.447	25
The net value is recognised as follows in the balance sheet:		
Contract work in progress	11.357	15.582
Prepayments received from customers conc. work in progress	(4.910)	(15.557)
	6.447	25
Contract work in progress conc. products	(2.187)	(5.204)
Prepayments received from customers conc. products	(265)	(465)
Prepayments, end of year	(5.175)	(16.022)
Contract work in progress, end of year	9.170	10.378

Notes

Medicom Innovation Partner a/s

(DKK '000)

15 Other receivables

	2017	2016
Other receivables	44	32
Carrying amount, end of year	44	32

All other receivables fall due within one year.

The fair value of other receivables is DKK 44k (2016: DKK 32k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is considered to correspond to the fair value.

16 Share capital

	2017	2016
The share capital consists of 16,778,061 shares of DKK 1	16.778	16.778

No shares carry any special rights.

Specification of movement on share capital	2017	2016	2015	2014	2013
Share capital at the beginning	16.778	16.778	16.778	16.778	16.778
Capital increase	-	-	-	-	-
Capital reduction	-	-	-	-	-
Share capital at the end	16.778	16.778	16.778	16.778	16.778

17 Retained earnings

In 2017 DKK 0 was paid as dividend, corresponding to DKK 0 per share (2016: DKK 0, corresponding to DKK 0 per share). A dividend of DKK 0k, corresponding to DKK 0k per share, will be proposed for 2017.

Medicom Innovation Partner's Executive Board and Board of Directors currently assess whether the Company's capital structure is adequate and which activities are necessary to ensure this.
Usually no dividend is paid out unless it may be included in net profit/loss for the year.

Notes

Medicom Innovation Partner a/s

(DKK '000)

18 Provisions

	2017	2016
Warranty provisions at 1 January	1.399	979
Provisions in the year	441	593
Provisions used in the year	-	(173)
Provisions reversed in the year	(785)	-
Warranty provisions, end of year	1.055	1.399
Provisions for anniversary bonus at 1 January	280	218
Provisions in the year	75	60
Provisions used in the year	-	(30)
Provisions reversed in the year	(18)	(7)
Change for the year in the calculation of net present value	13	39
Provisions for anniversary bonus, end of year	350	280
Provisions, end of year	1.405	1.679
The due dates for warranty provisions are expected to be as follows:		
Due within 1 year	665	637
Due within 1-5 years	390	762
Due after 5 years	-	-
Warranty provisions, end of year	1.055	1.399
The due dates for provisions for anniversary bonus are expected to be as follows:		
Due within 1 year	56	-
Due within 1-5 years	203	195
Due after 5 years	91	85
Provisions for anniversary bonus, end of year	350	280

The Company provides 3-year warranty on certain products and is therefore obliged to repair or replace items which do not function satisfactorily.

Provisions of DKK 1,055k (2016: DKK 1,399k) for expected warranty claims have been recognised based on previous experience concerning the level of repairs and returns.

The statement of the expected due dates has been prepared based on previous experience of when repairs and returns, if any, appear.

No compensation will be received from other parties concerning the provisions.

The provision for anniversary bonus is the result of discounting of the nominal expectations, as the timing effect conc. anniversary bonus is material due to the long time horizon for actual payment of the anniversary bonus. No discounting has been used concerning the warranty provision as the time horzon is limited (max 3 years) and the timing effect is therefore immaterial.

Notes

Medicom Innovation Partner a/s

(DKK '000)

19 Short- and long-term debt

At 31 December 2016	Due within 1 year	Due within 1 - 5 years	Due after 5 years	Total due after 1 year
Long-term debt:				
Finance lease	12	-	-	-
Carrying amount at 31 December 2016	12	-	-	-
Future interest, debt not on demand:				-
Finance lease	-	-	-	-
Total future interest	-	-	-	-
Long-term debt incl future interest	12	-	-	-
Short-term debt:				
Floating-rate overdraft facility, interest level 3.5 - 4%	-	-	-	-
Carrying amount at 31 December 2016	-	-	-	-

At 31 December 2017	Due within 1 year	Due within 1 - 5 years	Due after 5 years	Total due after 1 year
Long-term debt:				
Finance lease	-	-	-	-
Carrying amount at 31 December 2017	-	-	-	-
Future interest, debt not on demand:				
Finance lease	-	-	-	-
Total future interest	-	-	-	-
Long-term debt incl future interest	-	-	-	-
Short-term debt:				
Floating-rate overdraft facility, interest level 3.5 - 4%	-	-	-	-
Carrying amount at 31 December 2017	-	-	-	-

See also the description of financial risks on page 5 of Management's Review.

The value of short- and long-term debt in Medicom Innovation Partner amounts to DKK 0k against DKK 0k in 2016 (excl finance lease).

Lease obligation
As regards the lease obligation, the agreement is subject to floating-rate interest. The fair value of the lease obligation therefore equals the nominal lease obligation, ie DKK 0k at the end of 2017 against DKK 12k at the end of 2016.

Notes

Medicom Innovation Partner a/s

(DKK '000)

		2017	2016
20	**Other payables**		
	Payroll items	18.975	23.552
	Other	3.480	1.730
	Total other payables	22.455	25.282

No other payables fall due for payment after 1 year.

The fair value of other payables is DKK 22,455k (2016: DKK 25,282k).

For payables falling due within 1 year after the balance sheet date the carrying amount of the payables is in all materiality considered to equal the fair value of the payables.

		2017	2016
21	**Adjustments**		
	Change in other provisions etc	(274)	481
	Financial income etc	(602)	(1.026)
	Financial expenses etc	806	1.255
	Tax on profit/loss for the year	2.042	3.767
		1.972	4.477

		2017	2016
22	**Change in working capital**		
	Change in receivables etc	(16.313)	13.686
	Change in inventories	344	(575)
	Change in trade payables etc	(13.480)	(8.231)
		(29.449)	4.880

Notes

Medicom Innovation Partner a/s

(DKK '000)

23 Fee to auditors

	2017	2016
Statutory audit		
PricewaterhouseCoopers, 2017	120	120
Fee to auditors appointed at the general meeting	120	120
Other assurance assignments	25	48
Tax advisory services	269	103
PricewaterhouseCoopers	294	151
Total fee to auditors	414	271

24 Contingent liabilities and other financial obligations

a Rental and lease obligations concerning operating lease etc

The Company has entered into operating leases concerning two cars. The periods covered by the leases run for up to 44 months as from 31 December 2017.

Moreover, the Company has entered into seven tenancy agreements. The tenancy agreements covers up to 15 months.

	2017	2016
Lease obligations relating to fixtures and fittings, etc	253	318
Rental obligations relating to offices and factory property	3.405	5.865
Total	3.658	6.183
Specified as follows:		
Due within 1 year	2.941	2.931
Due between 1 and 5 years	717	3.252
Due after more than 5 years	-	-
	3.658	6.183
Rental and lease payments for the period	3.037	2.978
Hereof minimum rental and lease payments	3.037	2.978

At the balance sheet date, there are no non-cancellable leases concerning assets held under operating lease from which rental income is received.

b Contract obligations

The Company has entered into contract obligations of DKK 524k. termination no later than 2018.

c Joint taxation

With effect from 1 June 2016, Medicom Innovation Partner a/s is included in the joint taxation with Phillips-Medisize Holdings A/S. Danish Group companies are jointly and severally liable for tax on consolidated taxable income, etc. The total amount of the annual report for Phillips-Medisize Holdings A/S, which is the management company in relation to joint taxation.

Before 1 June 2016, Medicom Innovation Partner a/s was indcluded in the joint taxation with LDE Holding 11 ApS and Equity Datteholding 11 ApS. Danish Group companies are jointly and severally liable for tax on consolidated taxable income, etc.

d Litigations

Medicom Innovation Partner is not engaged in any litigation.

Notes

Medicom Innovation Partner a/s

(DKK '000)

25 Financial instruments

The scope and type of the Company's financial instruments appear from the income statement, the balance sheet and accounting policies under notes. Below information is provided on the conditions which may affect amounts, payment date or the reliability of future payments, where such information does not directly appear from the Company's Financial Statements or follow from normal practice.

Monetary items* in foreign currencies in the balance sheet at the end of the year:

At 31 December 2016

Currency	Payment/expiry	Assets	Liabilities	Net
EUR	0-12 months	43.908	17.234	26.674
USD	0-12 months	1.181	499	682
GBP	0-12 months	87	360	(273)
Other	0-12 months	-	-	-

At 31 December 2017

Currency	Payment/expiry	Assets	Liabilities	Net
EUR	0-12 months	36.202	5.288	30.914
USD	0-12 months	9.605	2.496	7.109
GBP	0-12 months	8	-	8
Other	0-12 months	-	-	-

* Monetary items are cash at bank and in hand and similar, receivables as well as payables which are settled in cash.

Hedging of foreign currency
No forward contracts have been made at 31 December 2017.

Sensitivity to foreign exchange risks:
The quantification of foreign exchange risks was made as an +/- 10% analysis of the effect on revenue:

	2017		2016	
DKK million	Revenue	Risks	Revenue	Risks
Revenue nominated in EUR	132,3	0*	167,9	0*
Revenue nominated in USD	9,2	0,9	-	0,0
Revenue in DKK	9,1	0**	7,0	0**

* It is considered unlikely that EUR will fluctuate by +/- 10% due to Denmark's firm rates policy which allows only very marginal fluctuations
** There is no exchange risk in respect of DKK

In 2018 revenue is expected to be mainly in EUR, and therefore it is not assessed that there will be any material exchange risks.

Notes

Medicom Innovation Partner a/s

(DKK '000)

26 Related parties

The Company's related party with controlling interest is Phillips-Medisize Holdings A/S, Struer.

The related parties with significant influence in the Company are the Executive Board and some senior employees as well as their related family members. Related parties also comprise companies in which these persons have material interests.

Executive Board and senior employees

Besides what follows from the employment, there have been no transactions with the Executive Board or senior employees. Remuneration appear from note 2.

Accounts with related parties

The payment terms for normal trade is current month plus 30 days. No security has been provided for the accounts, and there has been no need to make provisions for expected bad debt concerning these accounts. Moreover, no losses have been realised concerning these accounts in 2017 or 2016.

27 Group matters

The Company, whose controlling shareholder is Phillips-Medisize Holdings A/S, is included in the Consolidated Financial Statements of its Parent Company, Phillips-Medisize Holdings A/S, Struer. Phillips-Medisize Holdings A/S is ultimate owned by Koch Industries Inc. 4111 East 37th Street North, Wichita, Kansas 67220.