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**CONTURA A/S**  
Sydmarken 23  
2860 Søborg  
Business Registration No  
25057716

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 20.05.2019

**Chairman of the General Meeting**



Name: Patrick John Banks

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## Entity details

### Entity

CONTURA A/S  
Sydmarken 23  
2860 Søborg

Central Business Registration No (CVR): 25057716

Registered in: Gladsaxe

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Rakesh Chhaganlal Tailor

Debra Joy Roberts

Patrick John Banks

### Executive Board

Patrick John Banks, CEO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of CONTURA A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 20.05.2019

### Executive Board



Patrick John Banks

CEO

### Board of Directors



Rakesh Chhaganlal Tailor



Debra Joy Roberts



Patrick John Banks

## Independent auditor's report

### To the shareholders of CONTURA A/S

#### Opinion

We have audited the financial statements of CONTURA A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

#### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.


## Independent auditor's report

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

Copenhagen, 20.05.2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556



Flemming Larsen  
State Authorised Public Accountant  
Identification No (MNE) mne27790

## Management commentary

### Primary activities

The Company's primary activity is to be the holding company for the Contura Group in Scandinavia and to develop and own intellectual property rights, including patents, of the Contura Group in Scandinavia.

### Development in activities and finances

Profit for the year amounts to DKK 8,024 thousand giving the Company an equity of DKK 55,280 thousand. The result for the year is considered satisfactory.

The result for the year was positively impacted by license fees from group enterprises, and income from investments in group enterprises.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



## Income statement for 2018

|   | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK'000</u> |
|---|--------------|---------------------|-------------------------|
| Other operating income  |              | 2.527.553           | 1.183                   |
| Other external expenses   |              | <u>(1.481.439)</u>  | <u>(854)</u>            |
| <b>Operating profit/loss</b>  |              | <b>1.046.114</b>    | <b>329</b>              |
| Income from investments in group enterprises                              |              | 6.271.393           | 3.602                   |
| Other financial income  | 2            | 488.650             | 0                       |
| Other financial expenses  | 3            | <u>(2.567.632)</u>  | <u>(1.600)</u>          |
| <b>Profit/loss before tax</b>   |              | <b>5.238.525</b>    | <b>2.331</b>            |
| Tax on profit/loss for the year   | 4            | <u>2.785.974</u>    | <u>2.152</u>            |
| <b>Profit/loss for the year</b>   |              | <b>8.024.499</b>    | <b>4.483</b>            |
| <b>Proposed distribution of profit/loss</b>                               |              |                     |                         |
| Transferred to reserve for net revaluation according to the equity method |              | 6.222.027           | 3.602                   |
| Transferred to other statutory reserves                                   |              | 7.319.249           | 13.334                  |
| Retained earnings   |              | <u>(5.516.777)</u>  | <u>(12.453)</u>         |
|   |              | <b>8.024.499</b>    | <b>4.483</b>            |

## Balance sheet at 31.12.2018

|                                    | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK'000</u> |
|------------------------------------|--------------|---------------------|-------------------------|
| Development projects in progress   |              | 27.350.751          | 20.032                  |
| <b>Intangible assets</b>           | 5            | <b>27.350.751</b>   | <b>20.032</b>           |
| Investments in group enterprises   |              | 101.717.533         | 80.226                  |
| <b>Fixed asset investments</b>     | 6            | <b>101.717.533</b>  | <b>80.226</b>           |
| <b>Fixed assets</b>                |              | <b>129.068.284</b>  | <b>100.258</b>          |
| Receivables from group enterprises |              | 4.224.234           | 0                       |
| Other receivables                  |              | 628.898             | 202                     |
| Income tax receivable              |              | 2.785.974           | 2.152                   |
| <b>Receivables</b>                 |              | <b>7.639.106</b>    | <b>2.354</b>            |
| <b>Cash</b>                        |              | <b>2.095</b>        | <b>0</b>                |
| <b>Current assets</b>              |              | <b>7.641.201</b>    | <b>2.354</b>            |
| <b>Assets</b>                      |              | <b>136.709.485</b>  | <b>102.612</b>          |

## Balance sheet at 31.12.2018

|  | <u>Notes</u> | <u>2018<br/>DKK</u>       | <u>2017<br/>DKK'000</u> |
|--|--------------|---------------------------|-------------------------|
| Contributed capital  |              | 1.010.000                 | 1.010                   |
| Reserve for net revaluation according to the equity method |              | 16.140.985                | 9.919                   |
| Reserve for development expenditure                        |              | 27.350.751                | 20.032                  |
| Retained earnings  |              | <u>10.777.798</u>         | <u>16.295</u>           |
| <b>Equity</b>  |              | <b><u>55.279.534</u></b>  | <b><u>47.256</u></b>    |
| Other payables   |              | <u>13.950.000</u>         | <u>0</u>                |
| <b>Non-current liabilities other than provisions</b>       |              | <b><u>13.950.000</u></b>  | <b><u>0</u></b>         |
| Bank loans   |              | 24                        | 0                       |
| Trade payables   |              | 404.457                   | 128                     |
| Payables to group enterprises                              |              | 66.441.970                | 55.160                  |
| Other payables   |              | <u>633.500</u>            | <u>68</u>               |
| <b>Current liabilities other than provisions</b>           |              | <b><u>67.479.951</u></b>  | <b><u>55.356</u></b>    |
| <b>Liabilities other than provisions</b>                   |              | <b><u>81.429.951</u></b>  | <b><u>55.356</u></b>    |
| <b>Equity and liabilities</b>                              |              | <b><u>136.709.485</u></b> | <b><u>102.612</u></b>   |
| Staff costs  | 1            |                           |                         |
| Unrecognised rental and lease commitments                  | 7            |                           |                         |
| Contingent liabilities                                     | 8            |                           |                         |

## Statement of changes in equity for 2018

|                                | <b>Contributed<br/>capital<br/>DKK</b> | <b>Reserve for net<br/>revaluation<br/>according to<br/>the equity<br/>method<br/>DKK</b> | <b>Reserve for<br/>development<br/>expenditure<br/>DKK</b> | <b>Retained<br/>earnings<br/>DKK</b> |
|--------------------------------|--|---|--|--------------------------------------|
| Equity<br>beginning of<br>year | 1.010.000                              | 9.918.958   | 20.031.502   | 16.294.575                           |
| Profit/loss for<br>the year    | 0                                      | 6.222.027   | 7.319.249  | (5.516.777)                          |
| <b>Equity end<br/>of year</b>  | <b>1.010.000</b>                       | <b>16.140.985</b>   | <b>27.350.751</b>  | <b>10.777.798</b>                    |
|                                |  |   |  | <b>Total<br/>DKK</b>                 |
| Equity beginning of year       |  |   |  | 47.255.035                           |
| Profit/loss for the year       |  |   |  | 8.024.499                            |
| <b>Equity end of year</b>      |  |   |  | <b>55.279.534</b>                    |

## Notes

|   | <u>2018</u>        | <u>2017</u>    |
|---|--------------------|----------------|
| <b>1. Staff costs</b>                           |                    |                |
| Average number of employees                     | <u>0</u>           | <u>0</u>       |
|   |                    |                |
|   | <u>2018</u>        | <u>2017</u>    |
|   | <u>DKK</u>         | <u>DKK'000</u> |
| <b>2. Other financial income</b>                |                    |                |
| Financial income arising from group enterprises | 83.384             | 0              |
| Other interest income                           | 40.608             | 0              |
| Exchange rate adjustments                       | 146                | 0              |
| Other financial income                          | 364.512            | 0              |
|   | <u>488.650</u>     | <u>0</u>       |
|   |                    |                |
|   | <u>2018</u>        | <u>2017</u>    |
|   | <u>DKK</u>         | <u>DKK'000</u> |
| <b>3. Other financial expenses</b>              |                    |                |
| Financial expenses from group enterprises       | 2.352.412          | 1.311          |
| Exchange rate adjustments                       | 164.346            | 289            |
| Other financial expenses                        | 50.874             | 0              |
|   | <u>2.567.632</u>   | <u>1.600</u>   |
|   |                    |                |
|   | <u>2018</u>        | <u>2017</u>    |
|   | <u>DKK</u>         | <u>DKK'000</u> |
| <b>4. Tax on profit/loss for the year</b>       |                    |                |
| Current tax                                     | (380.902)          | 0              |
| Adjustment concerning previous years            | (751.000)          | 0              |
| Refund in joint taxation arrangement            | (1.654.072)        | (2.152)        |
|   | <u>(2.785.974)</u> | <u>(2.152)</u> |

## Notes

|                                    | <b>Develop-<br/>ment<br/>projects in<br/>progress<br/>DKK</b> |
|------------------------------------|---|
| <b>5. Intangible assets</b>        |   |
| Cost beginning of year             | 20.031.502  |
| Additions                          | <u>7.319.249</u>  |
| <b>Cost end of year</b>            | <b><u>27.350.751</u></b>                                      |
| <br>                               |   |
| <b>Carrying amount end of year</b> | <b><u>27.350.751</u></b>                                      |

### Development projects

The Company has capitalised external development costs relating to two programs. The first program relates to development costs incurred in connection with the approval of the Company's stress incontinence product, Bulkamid, in the United States. The second program relates to the use of the Company's hydrogel technology for the treatment of osteoarthritis.

|  | <b>Invest-<br/>ments in<br/>group<br/>enterprises<br/>DKK</b> |
|--|---|
| <b>6. Fixed asset investments</b>          |   |
| Cost beginning of year                     | 70.307.483  |
| Addition through business combinations etc | <u>15.220.000</u>   |
| <b>Cost end of year</b>                    | <b><u>85.527.483</u></b>                                      |
| <br>                                       |   |
| Revaluations beginning of year             | 9.918.658   |
| Share of profit/loss for the year          | <u>6.271.392</u>  |
| <b>Revaluations end of year</b>            | <b><u>16.190.050</u></b>                                      |
| <br>                                       |   |
| <b>Carrying amount end of year</b>         | <b><u>101.717.533</u></b>                                     |

|  | <b>Registered in</b> | <b>Corpo-<br/>rate<br/>form</b> | <b>Equity<br/>inte-<br/>rest<br/>%</b> |
|--|----------------------|---------------------------------|--|
| Investments in group enterprises comprise: |                      |                                 |  |
| Contura International A/S                  | Gladsaxe             | A/S                             | 100,0                                  |
| Contura Properties A/S                     | Gladsaxe             | A/S                             | 100,0                                  |

## Notes

### **7. Unrecognised rental and lease commitments**

The Company has entered into a property lease for its manufacturing and administrative facility in Copenhagen amounting to DKK 924 thousand.

### **8. Contingent liabilities**

The Company has no other contingent liabilities than the ones described below.

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

The Company has unlimited pledge towards Contura International A/S.

The Company has entered into a floating charge over certain of its assets in the amount of DKK 5,000 thousand to secure bank borrowings.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### Income statement

#### Other operating income

Other operating income comprises license fees receivable from subsidiary undertakings for the licensing of intellectual property rights

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

#### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

#### Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprise.

#### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

#### Tax on profit/loss for the year

Current tax is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.



## Accounting policies

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as external investments that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 year or useful life.

#### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK Nil. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

#### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

## Accounting policies

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Other financial liabilities**

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