Annual report 2018

Improving patient flow and reducing healthcare costs

ViroGates

ViroGates A/S CVR no. 25734033

Contents

ViroGates at a glance

ViroGates is an international medical technology company headquartered in Denmark and listed on Nasdaq First North Denmark. The Company develops and markets prognostic biomarker products for the healthcare sector. ViroGates' blood test systems for emergency departments in hospitals are used in particular to make a clinical decision on hospitalization or discharge of emergency patients, which can lead to better clinical decisions, faster discharge and optimization of healthcare resources. The products can also be used for the prognosis of lifestyle-related diseases such as cardiovascular disease, type 2 diabetes, cancer, etc.

ViroGates' product range suPARnostic® measures the suPAR (Soluble urokinase Plasminogen Activator Receptor) protein in the bloodstream. suPARnostic® provides for a quick health assessment in only 20 minutes via a simple blood sample. An elevated suPAR level is associated with the presence and severity of a broad range of acute and chronic conditions and is associated with short-term mortality. A low suPAR level is associated with a good prognosis and a low risk of short-term mortality.

Vision

ViroGates envision that all hospital patients are screened and monitored based on suPAR being the primary biomarker in the area, and that the general population is screened on a routine basis using suPAR to allow them to adjust lifestyle in due time to avoid development of lifestyle related diseases.

Mission

ViroGates´ mission is to develop biomarkers into affordable solutions that serve to prevent diseases and optimize treatment in order to improve the life of individuals and reduce healthcare costs.

Investment highlights

~250 million €

Initial market potential
Short-term focus on the European Acute Care market

+40 billion €

Large addressable market
Significant future opportunities in Pre-hospital market, Post Acute Care, General Practitioners, Direct to consumer/ Health checks

IPR

Approved products with strong patents
Products approved in the EU, import license in India and Serbia.

60 million DKK

Cash and cash equivalents
ViroGates' cash at hand sufficient to lead to profitability

+20 hospitals

First clinical use has been established
Two clinical routine customers and more than 20 hospitals in clinical implementation trials in five countries in Europe

Strategic objectives

40 paying hospital accounts by the end of 2020
Cash flow positive by the end of 2020

550 peer reviewed articles

Clinical studies support the value of measuring suPAR for prognostication
More than 550 peer reviewed articles, many in leading journals, i.e. Nature Medicine, JAMA and New England Journal of Medicine

350,000 blood samples

50,000 of which in Acute Care setting
Significant clinical documentation and data to support the value of suPAR

Letter from the Chairman and the CEO

After a successful IPO in 2018, ViroGates has invested in commercializing its products for Acute Care departments and expansion of the product offering. The strategy for the next two-year period is to continue the commercial penetration of the European Acute Care market by intensifying our sales efforts and expanding our product offering.

Our objectives continue to be to secure 40 paying hospitals and become cash flow positive by the end of 2020. This was the ambition at the time of the public listing on Nasdaq First North Denmark in June 2018 and ViroGates is on track to deliver based on these ambitions.

Successful IPO of ViroGates in June 2018

The primary motivation for the public listing of ViroGates in June 2018 was to raise capital for the commercial launch of our products for the Acute Care market. Half way through 2018, we were at a point, where clinical uncertainty had been eliminated, the product offering was documented to have value, the product portfolio was adequate to meet the needs of hospitals in significant markets, and there was a pull from the Acute Care market for our products.

We had a successful IPO with gross proceeds of DKK 75 million, sufficient for ViroGates to commercialize its products, continue its product development and expand the clinical documentation. The IPO has enabled us to start building the European sales organization, and it facilitated further advancement of our product portfolio with a broader scope of application.

The IPO was supported by a range of existing and new professional investors, such as The Danish Growth Fund (Vækstfonden), and more than 1,500 private shareholders. We appreciate your support and trust in ViroGates.

We invest in our commercial execution

2018 was a turning point for ViroGates by being the year we established a commercial organization. Management of the commercial organization is based at the headquarters and direct sales are established in the Nordics, France, Germany and Spain. With the existing sales organization, we can also service the more fragmented markets such as Greece, Eastern Europe etc.

At the end of 2018, we had trial customer contracts with hospitals in Spain, Romania, Serbia, Greece, Lithuania, Belarus and Austria as well as two clinical routine customers, one in Denmark and one in Belarus. We have dialogue with a number of test customers to advance their use into clinical routine practice. The hospital in Minsk, Belarus has implemented our products in clinical routine practice for the detection and severity assessment of chronic kidney disease and sepsis patients and is currently assessing implementation in the Acute Care field, where many more patients are treated on a daily basis.

The significant market opportunities beyond Acute Care such as the Pre-hospital market are still to be explored by ViroGates, as are Post Acute Care, general practitioners and direct-to-consumer health tests. While our primary short-term focus remains on deployment in the Acute Care market, we will concurrently prepare for expansion into new market segments through dialogue with potential commercial partners, product development and preparation of clinical data packages.

We continue to invest in our product offering

The completion of the development of the first suPARnostic® TurbiLatex product in August was an important milestone as most large Acute Care departments apply the testing format we have incorporated in the TurbiLatex product range. The format enables the use of suPARnostic® products for automatic handling of blood samples at central hospital laboratories. The suPARnosticR TurbiLatex product is approved for the Roche Diagnostics Cobas c 111 analyzer and c 502 module. ViroGates is currently validating the suPARnostic® TurbiLatex on other turbidimetric high throughput instruments. The broader product offering allows us to both conduct the suPARnostic® test near the patient – at point of care with the suPARnostic® Quick Triage product range – and at central hospital laboratories with the suPARnostic® TurbiLatex products.

Our objectives continue to be to secure 40 paying hospitals and become cash flow positive by the end of 2020

We continue to invest in clinical documentation

Another important objective for 2018 was to document clinical validation and clinical utility of our product offering. This was achieved by conclusion of the large intervention study, TRIAGE III, enrolling more than 16,000 patients at Danish hospitals.

Data from the study was presented in September, evidencing that use of suPARnostic® Quick Triage shortened patients' stay at emergency departments by 6.5 hours and allowed a significantly higher proportion of patients to be discharged within 24 hours. Data supports ViroGates' claims that the suPARnostic® products help Acute Care physicians taking faster and more informed decisions with respect to patients that are being considered for admission, thus saving healthcare systems valuable time and money without jeopardizing patients' safety.

In conclusion, we are delivering results based on our promises as stated at the time of the initial public offering; we are well positioned to contract clinical routine customers throughout Europe in line with our commercial strategy, and we continue to see plenty of long-term business opportunities to the benefit of patients, physicians and shareholders.

Lars Kongsbak
Chairman of the Board

Jakob Knudsen
Chief Executive Officer

Jakob Knudsen
Chief Executive Officer

Lars Kongsbak
Chairman of the Board

Key events in 2018

March
Commercial organization strengthened with VP Sales & Marketing responsible for direct sales and distributor management.

June
IPO at Nasdaq OMX First North Denmark raising gross proceeds of DKK 75m to intensify continued commercial roll-out of the Company's products and strengthen its product development, clinical documentation and global patent coverage.

July
ViroGates announced its first international paying customer for the use of suPARnostic® Quick Triage in clinical routine practice for the detection and severity assessment of Chronic Kidney Disease (CKD) and sepsis patients.

August
The first suPARnostic® TurbiLatex product was launched – this first product in the TurbiLatex product range enables automatic handling of blood samples at central laboratories and is thus a pivotal element in the Company's European expansion strategy with special focus on the Acute Care market.

September
At the 12th European Congress of Emergency Medicine in Glasgow, data from the TRIAGE III study was presented, evidencing that use of suPARnostic® Quick Triage shortened patients' stay at emergency departments by 6.5 hours and allowed a significantly higher proportion of patients to be discharged within 24 hours.

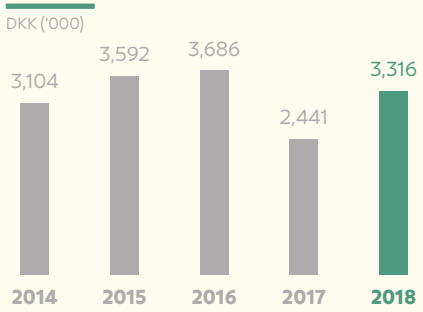
October
Results from a large observational study combining the National Early Warning Score (NEWS) with suPAR documented that suPARnostic® improves risk stratification in acute medical patients.

November-December
Hiring of sales people in the Nordics, France, Germany, and Spain, and employment of International Application Scientist to support commercial organization.

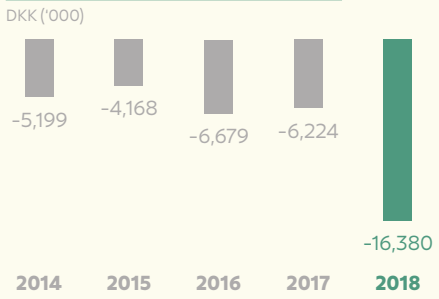
Financial highlights and key ratios 2018

DKK ('000) unless otherwise stated	2018	2017	2016	2015	2014
Income statement					
Net revenue	3,316	2,441	3,686	3,592	3,104
Operating profit/loss	-18,102	-7,691	-6,937	-5,354	-7,326
Net financial items	-814	-6	39	22	-206
Profit/loss before tax	-18,916	-7,697	-6,898	-5,332	-7,532
Net profit/loss	-16,986	-5,987	-5,403	-4,070	-5,726
Balance sheet					
Total assets	63,423	4,978	11,997	17,412	10,506
Invested capital	2,412	1,980	3,013	3,025	3,049
Equity	61,011	2,997	8,984	14,387	7,457
Investments and cash flow					
Cash flow from operating activities	-16,380	-6,224	-6,679	-4,168	-5,199
Cash flow from investing activities	-2	-132	0	0	-495
Cash flow from financing	75,000	0	0	11,000	12,091
Net cash flow	58,617	-6,357	-6,679	6,832	6,396
Other key figures and ratios					
Equity ratio (%)	96%	60%	75%	83%	71%
Earnings per share (EPS), diluted (DKK)	-5.73	-2.47	-2.22	-1.77	-3.09
Number of employees, end of period (No.)	8	4	4	5	5
Market share price, end of period (DKK)	60.00	n/a	n/a	n/a	n/a

Net revenue



Cash flow from operating activities



Definitions:

Term	Definitions
Equity Ratio	Total Shareholders' Equity / Total Assets
Earnings per share (EPS) diluted (DKK)	Net profit (loss) for the period / Average number of outstanding shares diluted

Business and performance

Addressing Acute Care challenges

The healthcare institutions in general, and the Acute Care functions in particular, are burdened by overcrowding and increasing costs for hospitalization of patients. Thus, there is a need to improve the selection of patients for admission or discharge to ensure that only those in need are hospitalized.

Studies estimate that in the US, the biggest threat to the viability of the Acute Care system is overcrowding in the Emergency Departments. The problem is also recognized in Denmark and other countries in the EU, where overcrowding has been shown to lead to increased mortality[1]. Studies indicate, that up to two out of three Acute Care patients admitted to the ward may be avoidable, but current vital tests to assist in selecting which patients can be safely discharged and who may need hospitalization (triaging) are time-consuming and complicated – and may not always provide a longer perspective on the health of the patient.

To improve patient flow and reduce overcrowding in the Acute Care departments, and to ensure that only those in need are hospitalized, there is a great need for better identification of patients at low risk of serious illness or death. By classifying these patients as non-urgent or suitable for discharge the flow in the Acute Care departments may improve. Reduced length of stay and number of patients at Acute Care departments would lead to lesser overcrowding, better utilization of resources, improved patient outcomes, and savings in the healthcare system.

By reducing the number of unnecessary admissions, there is also an improvement in patient life quality, as unnecessary admissions are associated with loss of muscle mass, risk of in-hospital acquired infections and loss of working opportunity.

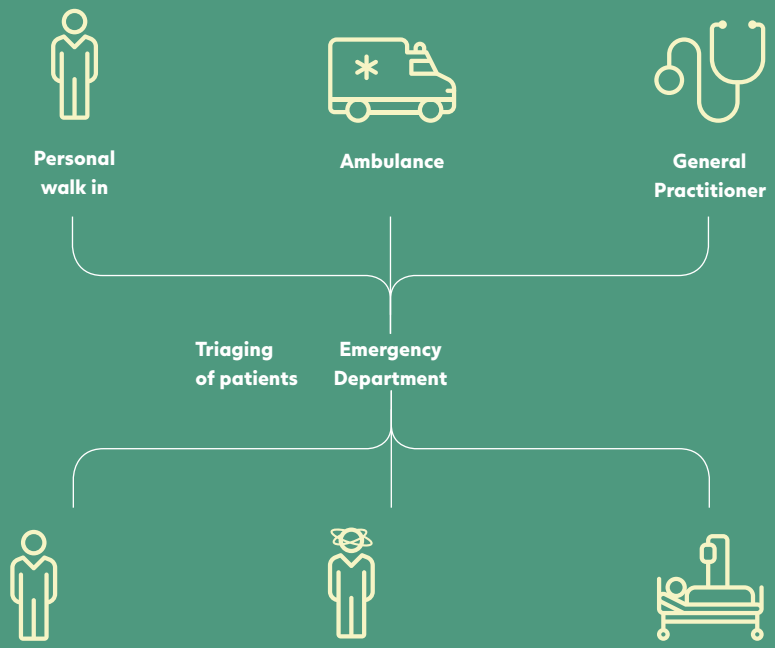
[1] Madsen et al, Health Affairs 33, No 7, 2014: 1236-44

The objective nature of the suPAR test will help us offer more equal treatment opportunities for all patients, irrespective of their capability to communicate their clinical symptoms in the right manner

Prof. Ove Andersen MD ph.D.
Hvidovre Hospital

Triaging based on suPAR level

The figure below illustrates how the level of suPAR in the blood measured with ViroGates' suPARnostic® products can assist physicians in triaging patients – selection of which patients can be sent home and who may need hospitalization – when arriving at the Emergency Department. A suPAR level below 3 ng/ml supports the clinical decision of discharging the patient. A suPAR level between 3 and 6 ng/ml supports that the patient is suffering from a disease and thus may need further clinical attention, while a suPAR level above 6 ng/ml is strongly indicative for a patient that is in urgent need of clinical attention and examination.



56%
of patients
suPAR ≤3ng/ml

Little risk of life-threatening disease
The patient is sent home without hospitalization

32%
of patients
suPAR 3-6ng/ml

Diseased patients
Supports that the patient needs further clinical attention

12%
of patients
suPAR ≥6ng/ml

High risk patients with possible life-threatening disesase
Clinical attention and hospitalization urgently needed

What is suPAR?

suPAR is the biomarker detected by ViroGates' products and is a protein in plasma, measurable in every human being. The suPAR molecule was firstly described in 1993 and in 2000 it was found to be predictive of outcome in HIV-infection. Following this discovery, it became clear that suPAR was also elevated and predictive of outcome in many other diseases. Today, suPAR is perceived as a general risk status biomarker: the higher the level, the worse the prognosis. suPAR is readily detected using standard immuno-assay technology and the test results are available after 20 minutes.

About suPARnostic®

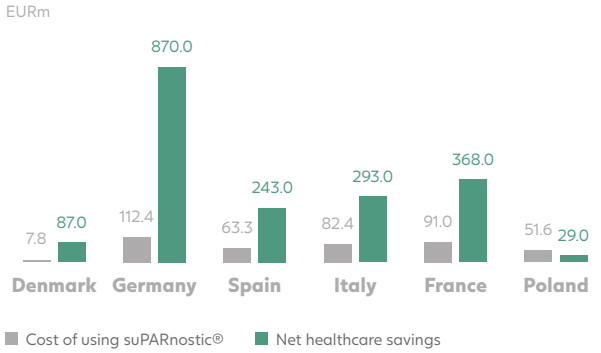
Based on the level of suPAR in the blood stream, ViroGates´ suPARnostic® products determine the presence and severity of a disease as well as the prognosis of certain patients. An increased suPAR level is indicative of disease progression and increased mortality risk. suPAR level is not related to specific diseases and is not affected by circadian changes, short-term life circumstances (e.g. fasting), or minor illnesses (e.g. influenza). suPARnostic® provides the physician with an objective view of the patient and thus assures that important underlying diseases are not overlooked.

ViroGates´ products thus assist physicians in making clinically justified decisions when determining whether a patient should be admitted or discharged from the hospital. In a recent study, patients stayed on average 6.5 hours shorter at the hospital when suPAR testing was performed compared to a control group. This could lead to significant health cost savings.

In the Emergency Department, the clinical value of the assessment of the suPAR level is:

- More patients can safely be discharged from the hospital.
- Significant reduction in admissions due to improved medical decision process.
- Identification of high-risk patients – leading to earlier intervention.
- Identification of e.g. early stage cancer can improve treatment efficacy and overall survival.
- Better risk estimation = better personalized treatment and improved outcomes.

Huge savings potential in Acute Care



Source: Average cost per hospital-day based on Statista, Incentive, Eurostat Savings based on data from Triage III study and Incentive Health care consultants

The figure shows net savings to the healthcare system in selected EU markets (after deducting cost of using suPARnostic). The data is based on the savings as observed in the TRIAGE III study. Cost savings vary by country and savings in DK have been calculated by health economic consultants Incentive A/S. Other costs have been estimated using average cost per hospital bed per day.

Strategy and commercialization

ViroGates' strategy for the next two-year period is to continue its commercial penetration of the European Acute Care market by intensifying its commercial efforts and expanding its product offering. ViroGates deploys a direct sales strategy for selected Acute Care markets in Europe and expects to address other markets via distributors.

There are significant market opportunities beyond Acute Care, such as in the Pre-hospital market , Post Acute Care, general practitioners (GP) and direct-to-consumer health tests. Acute Care market penetration will be followed by the GP-segment in 2021 and Post Acute Care and direct to consumer health tests by 2022. The Company's products support GPs in the assessment of whether patients are in need of additional diagnostic procedures in the secondary care/hospital sector. With the increased desire to take charge of one's own health, ViroGates' products also have the potential to be valuable to healthy individuals with a desire to monitor their own health status on a general basis.

Market expansion, such as dialogue with potential commercial partners, product development and clinical data packages, will de done concurrently with the Acute Care market deployment.

Strategic ambitions

	Current state	Strategic ambitions
Customers	• Two routine clinical customers in two countries • 22 test hospitals in five European countries	40 paying routine clinical practice customers in several European countries by the end of 2020
Market segments	• Acute Care	Acute Care, Pre-hospital market, Post Acute Care, GPs, Direct-to-consumer
Products	• suPARnostic® TurbiLatex • suPARnostic® Quick Triage • suPARnostic® Auto Flex ELISA	• Expansion of Quick Triage and TurbiLatex product offerings to address global market needs • At-home medical tests

Strategic objectives

Reach 40 paying hospital accounts by the end of 2020

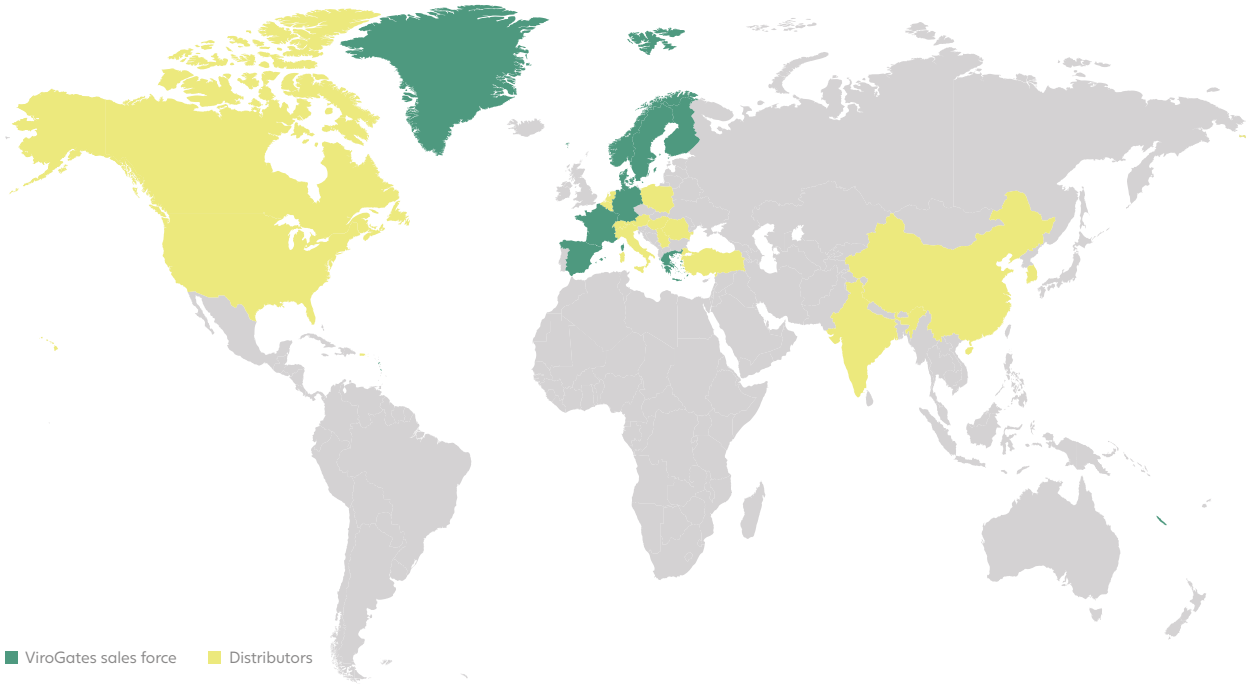
Be cash flow positive by the end of 2020

Acute Care go-to-market strategy

ViroGates has initiated sales efforts in selected markets. The company has clinical routine customers in Denmark and Belarus, and ongoing product evaluations in 22 hospitals in Spain, Greece, Romania, Serbia, Austria and Lithuania. ViroGates will, pending the outcome of the product evaluations, discuss conversion to clinical routine customer status with these hospitals. ViroGates assume a run-in period of 9-18 months from first visit until the customer is converted to a paying customer. ViroGates initially targeted the Southern and Eastern European markets due to the ability to run point of care testing directly in the Acute Care departments with suPARnostic® Quick Triage. With the third quarter 2018 launch of a suPARnostic® TurbiLatex turbidimetric product, ViroGates is now able to service automatic high-throughput handling of blood samples at central laboratories, a pivotal element in the Company's expansion strategy into the Nordics, Central Europe and beyond.

ViroGates sales coverage

ViroGates deploys a direct sales strategy for selected markets in Europe and addresses other markets via distribution partners.



Market potential

Worldwide, countries are experiencing an ageing of their populations, a trend that is projected to continue until at least the middle of the twenty-first century, according to the WHO. The growing number of elderly patients has implications, both on an individual and societal level. On the individual level, earlier diagnosis or prevention of diseases are key elements to sustain a good life quality. For society, the increasing number of elderly patients with multiple diseases will increase the pressure on the Acute Care system in particular and the hospital systems in general.

ViroGates is operating in the in vitro diagnostics (IVD) market that is currently estimated at a total value of USD 74 billion and expected to reach USD 102 million in 2022, corresponding to compound annual growth rates of approximately 7%. One of the large use areas of IVD tests is Acute Care at the emergency departments, where physicians need to decide whether to admit patients to the hospital or to discharge based on physiological scores and various types of IVD tests.

Addressable market – Acute Care

The company estimates, based on patient flow from selected hospitals, that the patient potential for the Company´s products is approximately 2.5% of the general population. With a pricing of EUR 20 per test conducted in Europe and North America (NA) and EUR 10 per test for the rest of the world (RoW), the total estimated market potential for suPAR testing globally in Acute Care amounts to in the excess of EUR 1 billion annually.

Acute Care		EURm
Europe		240
North America		210
RoW		600

Emergency departments are facing increased pressure from patients seeking care. suPAR is in my view a promising tool to stratify the risk in all the medical patients. suPAR may well emerge as a suitable tool for doctors to cope with the overcrowding issues

Prof. Frank Tacke MD
University Hospital Aachen Dept. of Medicine III

ViroGates' comprehensive product offering

Since the foundation in 2001, ViroGates has invested in building a product portfolio and establishing scientific evidence documenting the clinical relevance of the suPAR biomarker. This is evidenced by the more than 550 peer-reviewed articles that have been published based on research conducted worldwide, and the more than 350,000 blood samples that have been analyzed, using ViroGates´ suPARnostic® products.

The Company´s current product portfolio covers the need of emergency departments, no matter whether tests are performed at central laboratories (suPARnostic® TurbiLatex) or at point of care (suPARnostic® Quick Triage), and of laboratories and scientific use (suPARnostic® Auto Flex ELISA).

Product development

ViroGates' primary research and development objective is to drive research within the field of utilization of suPAR as a biomarker for prognosis of disease. ViroGates continuously strive to develop new in vitro diagnostic applications to measure the level of suPAR in a manner that can be used by hospitals, specialist doctors, general practitioners, research and industrial labs and also ordinary health conscious individuals.

Product	suPARnostic® AUTO Flex ELISA	suPARnostic® Quick Triage	suPARnostic® TurbiLatex
Detection platform			
Application	R&D use & clinical lab	Near patient use	Automated, centralized laboratory
Immuno-detection technology	ELISA	Lateral flow	Turbidimetric
Year of market introduction	2009 (CE-IVD marked)	2015 (CE-IVD marked)	2018 (CE-IVD marked)

Manufacturing is outsourced in order to reduce the requirement for fixed laboratory facilities, capital expenditures and personnel.

suPARnostic® Quick Triage

The suPARnostic® Quick Triage product was launched in December 2015. This product is primarily for market segments where testing is performed locally at point of care. The Quick Triage is sold with an optical reader (sourced from QIAGEN but adapted for quick triaging by ViroGates) to provide the user with accurate quantitative results. The suPARnostic® Quick Triage is measuring blood plasma and not full blood.

In January 2019, the ViroGates entered a co-development partnership with GENSPEED Biotech GmbH to develop a product based on a combination of ViroGates' suPARnostic® and GENSPEED's analysis platform GENSPEED®. The product will be able to analyze suPAR as well as C Reactive Protein (CRP – an acute phase inflammatory protein) in less than 10 minutes by way of a blood sample collected from a finger prick. The product is expected to take approximately two years to complete and will be marketed by ViroGates to support the Company's long-term strategy of expanding its business to general practitioners and other users outside of the Emergency Department setting.

suPARnostic® TurbiLatex

The suPARnostic® TurbiLatex product was commercially launched in the third quarter of 2018 for use in hospitals with automated, high-throughput systems for handling of blood samples at central laboratories, such as in the Nordics and other significant European markets. With the launch of TurbiLatex, the Company's product portfolio fits well into most emergency departments' workflow.

suPARnostic® TurbiLatex is a particle-enhanced turbidimetric assay using ViroGates' proprietary antibodies coupled to latex beads. Most diagnostic tests will be performed using this platform and the suPAR measurement will be made using the blood sample that has already been collected. Without an extra workload, the clinical staff will thus have access to the suPAR result in exactly the same way as they get access to other blood sample results.

The suPARnosticR TurbiLatex product is approved for the Roche Diagnostics Cobas c 111 analyzer and c 502 module. ViroGates is currently validating the suPARnostic® TurbiLatex on other turbidimetric high throughput instruments.

suPARnostic® Auto Flex ELISA kits

The suPARnostic® ELISA kit is a well proven technology platform, primarily for use at central laboratories and in research as the testing time is generally too slow for Acute Care (2-3 hours). The suPARnostic® ELISA assay is based on a simplified double monoclonal antibody sandwich ELISA assay whereby samples and peroxidase-conjugated anti-suPAR are first mixed together and then incubated in anti-suPAR pre-coated micro wells.

Financial review

Unless otherwise stated, financials are 2018 numbers. Comparative figures for the corresponding period of 2017 are shown in brackets.

Income statement

The net loss was TDKK -16,986 (TDKK -5,987). The lower net result in 2018 was primarily a consequence of costs related to the IPO in June 2018.

Revenue

Revenue increased to TDKK 3,316 (TDKK 2,441). Revenue in 2018 derived primarily from large orders from one major customer in Denmark.

Expenses

Total operating expenses amounted to TDKK 15,919 (TDKK 10,132). The increase was due to increased costs from sales activities of TDKK 2,849 and an increase in staff cost of TDKK 2,543 from hiring of new sales employees to support the Company's international expansion strategy.

Total expenses amounted to TDKK 22,232 in 2018 (TDKK 10,139), which included TDKK 5,498 in IPO expenses. The remaining increase of TDKK 6,595 was related to sales and marketing, including fees for newly issued patents, and an increase in research & development and administrative expenses, including costs from hiring of new employees, and TDKK 1,000 in financial expenses.

Profit & loss

Operating loss came to TDKK -18,102 (TDKK -7,691). Net financial items amounted to TDKK -0,814 (TDKK 0,006), negatively impacted by interest on the convertible loan. The convertible loan was converted to shares prior to the IPO. Loss before tax was TDKK -18,916 (TDKK -7,697). Net loss amounted to TDKK -16,986 (TDKK -5,987). Earnings per share (EPS) diluted was DKK -5.73 against an EPS (diluted) of DKK -2.47 in 2017.

Cash flow and investments

Net cash flow amounted to TDKK 58,617 (TDKK -6,357). Cash flow from operating activities amounted to TDKK -16,380 (TDKK -6,225). The outflow in the year was mainly due to the change in net working capital, which included payments related to the IPO in June and increase in sales activities. Investments in equipment amounted to TDKK 0,0 (TDKK 0,130). Cash flow from financing activities amounted to TDKK 75,000 (TDKK -0,0) due to IPO in June.

Equity and net cash

As of December 31, 2018, equity was TDKK 61,011 (TDKK 2,997). This mainly related to the proceeds from the offering in June 2018. On December 31, 2018 net cash amounted to TDKK 60,084 (TDKK 1,466).

Numbers of shares

At December 31, 2018 the total number of shares in ViroGates A/S was 3,034,347 (2,210,172).

No events have occurred after the balance sheet date of importance to the financial statements.

All numbers from previous quarters have been corrected so comparison to the audited 2018 report is possible. No change in totals have occurred because of this.

Corporate Matters

Risk Management

Management is responsible for the ongoing management of risks, including risk mapping, assessment of probabilities and potential impacts as well as the introduction of mitigating measures. Executive Management reports frequently to the Board of Directors on risk management. The following risks are deemed to be of particular relevance to ViroGates in 2019 and the near future.

Risk	Risk mitigation
Commercialization Being in the initial commercialization phase, ViroGates is highly dependent upon successful commercialization. There is a risk that the Company's products may not penetrate markets due to inadequate sales & marketing efforts, insufficient product development efforts and/or reluctance to introduce new methods at emergency departments and other clinical facilities.	The proceeds from the 2018 capital increase allow ViroGates to more actively deploy a direct sales strategy for select markets in Europe with frequent presentations at congresses, direct interactions with potential customers, etc. Initially, this strategy has resulted in products being placed in clinical settings in hospitals in Denmark, Spain, Greece, Romania, Serbia, Austria, Lithuania and Belarus. In 2019, ViroGates has started adding its own sales representatives in selected markets to further speed up the commercialization process. Other markets are being addressed via partnerships with distributors. Current agreements cover markets in North America, Western Europe, Eastern Europe, the Middle East and India, and the Company continuously seeks to add new distributors to serve other markets. Based on a broader product offering - including the new suPARnostic® TurbiLatex - and better health economics documentation, ViroGates is strengthening its distribution network, investing significantly in educating and supporting distributors, while distributors reversely commit to schemes with requirements to activity, sales, etc. Key to the commercialization efforts is ViroGates' ability to elucidate the cost effectiveness and clinical value of its product range in emergency departments and other clinical environments in the light of continuously rising global healthcare expenses. ViroGates will continue to carry out clinical and product development work to document the value of its product portfolio.

Risk	Risk mitigation
Dependency on key individuals ViroGates is to a large extent dependent on key individuals, not least the Management Team. Furthermore, the global commercialization is subject to successful recruitment of skilled sales professionals.	To recruit and retain qualified staff, ViroGates offers employment agreements on market terms, including incentive-pay schemes, combined with the virtues of a small growth company, such as short lines of command, fast decision-making, lack of bureaucracy, etc. Recent recruitments show that ViroGates is able to attract skilled international sales professionals from large peers.
Dependency on 3rd parties ViroGates is a R&D-intensive company with a limited in-house organization and is therefore highly dependent on collaborations with external partners on production, quality assurance and sales.	ViroGates has lab service and production agreements with well-established providers in Poland, Norway, the UK, Japan and Sweden. Risks related to these agreements are managed through contractual stipulations, thorough monitoring, close co-ordination and build-up of ample stocks of manufactured products and/or back-up facilities, wherever possible. Production processes and Q&A systems are also subject to routine inspections by regulatory authorities. None of the external service providers are deemed irreplaceable and, in ViroGates' view, replacement could take place with limited cost and burden to ViroGates. ViroGates has entered into exclusive and non-exclusive agreements with distributors. None of these distributors are currently deemed material. To balance any future dependency, ViroGates deploys a direct sales strategy for selected markets and seeks to widen its geographical footprint through new distributor relationships and partnerships.
Intellectual property rights (IPR) ViroGates is dependent on its capacity to file and maintain patents to protect intellectual property and specific knowledge. There is a risk that other companies may infringe ViroGates' patents and/or trade mark rights or vice versa - or that new technologies and products will circumvent or replace the Company's present and future patents.	IPR is monitored closely by Management, R&D and patent attorneys contracted by ViroGates. If necessary, suitable measures are taken. ViroGates files patent applications and registers brands and trademarks continuously to protect its intellectual property rights. The Company currently owns five patent families, has recently filed a new application and further holds exclusive licenses to two patent families. The most important granted patent family expires in 2028 while the new application will expire no earlier than 2038. The patent families cover the use of suPAR for broad-based clinical prognostication and, to the best of ViroGates' knowledge, patents provide solid protection providing full freedom to operate in this area. The R&D department continuously generates new patent opportunities. All current and future patent applications have been and will be designated for major global markets in the Western world, newly industrialized countries and in developing regions. ViroGates is also applying significant trade secrets in the manufacturing processes, having developed proprietary antibodies and using unique techniques in manufacturing and clinical trials. Furthermore, the Company has trademark-protected all important trademarks, logo-types, brands and domain names.

Risk	Risk mitigation
Competition and pricing ViroGates could be challenged by competition from existing and/or potential new competitors with greater financial resources and skills.	ViroGates closely monitors the competitive situations and initiatives in all major markets with the aim of appropriate risk mitigation. Additionally, ViroGates controls all issued and relevant patents within the clinical application of suPAR in humans and this, in Management's belief, will not allow competitors to enter the field of prognostication based on a suPAR biomarker within a foreseeable future. Furthermore, ViroGates constantly innovates to ensure that its products are commercially viable and include the features and applications requested by customers.
Financing needs ViroGates may in the future be forced to raise new capital to strengthen its financial position.	Subject to a successful commercialization, including contracts with 40 paying customers, ViroGates aims to be cash flow positive by the end of 2020. The Company's current cash position, combined with incremental income from new customer contracts, is expected to cover the financing needs in 2019-20, until expected profitability.
Regulation by authorities ViroGates' products are subject to a number of statutory and regulatory requirements. There is a risk, that permits from national authorities may not be renewed on the same terms as previously, or that permits may be revoked or limited. Changes to legislation might also impact ViroGates.	ViroGates actively engages in dialogue with the relevant authorities to mitigate such risk. Current in vitro diagnostic products are regulated according to EU Directive IVDMDD (98/79/EC) but Management is working to ensure that ViroGates' products comply with the new In Vitro Diagnostic Device Regulations (EU 2017/746), which is coming into force during a period until 2022.
Disputes, claims and proceedings ViroGates might become involved in disputes within the framework of its normal business, including claims or proceedings related to products. Managers might also become subject to proceedings.	ViroGates is not involved in any disputes, claims or proceedings. The Company's insurance coverage is deemed to provide adequate protection, taking the potential risks into account. New product liability insurance policies are secured on an ongoing basis to the extent deemed necessary.

ViroGates' Board of Directors at work

Corporate Governance

ViroGates has a two-tier management structure consisting of a Board of Directors, elected by the shareholders at the Annual General Meeting, and an Executive Management appointed by the Board of Directors. The two bodies are independent of each other and no person is a member of both.

The Board of Directors is entrusted with the ultimate responsibility for the Company. Board duties include strategy, budgets, goals as well as appointing and supervising Executive Management. The Board further monitors procedures and responsibilities to ensure that ViroGates is managed appropriately in accordance with its articles of association and applicable legislation.

The Board of Directors convenes regularly and conducts its business according to its rules of procedure, which is updated at least once annually. Regular board meetings include an in-depth report from the Management Team on operations, status and progress. The Board held 7 meetings in 2018 (2017: 6) with full attendance at all meetings, except for one meeting where one member was absent. The CEO attends all Board meetings and the Chairman maintains close contact with the CEO between meetings.

The Board considers the following competencies to be particularly relevant to ViroGates: Experience in management of international life science companies, strategic development, business development, development and commercialization of life science products, finance as well as first-hand experiences from growth companies. The Board is deemed to possess these competencies, and, by virtue of its size, the Board has also decision-making power and drive.

The Management Team undertakes day-to-day management. The team is made up of the CEO (who constitutes Executive Management and is registered as such with the Danish Business Authority), the CFO, the CSO (Chief Scientific Officer) and the VP, Sales & Marketing. The Board sets out the terms and tasks of the Management Team.

Danish Corporate Governance recommendations

There are no requirements for companies whose shares are listed on Nasdaq First North Denmark to comply with the Danish Recommendations of Corporate Governance and ViroGates currently has no intention of applying the recommendations, other than in situations considered to be appropriate. The Board believes the recommendations to be less relevant for a small, agile growth company and, accordingly, the entire Board resolves on duties otherwise recommended to be dealt with by Board committees. The company is also not required to comply with other codes of conduct for corporate governance

Internal control

ViroGates has internal control and financial reporting procedures enabling the Company to monitor its performance, operations, funding and risks. The Board of Directors decides on policies for risk management and internal control in relation to financial reporting, while Executive Management is responsible for the systems' effectiveness and for implementing controls to mitigate risks associated with financial reporting. ViroGates continuously improves its procedures and systems, and the current framework is considered compliant with Nasdaq First North Denmark's disclosure obligations.

Remuneration

In accordance with section 139 of the Danish Companies Act, the Annual General Meeting has approved Incentive Guidelines, laying down the principles governing remuneration of the Board of Directors and Executive Management. The guidelines aim to align the interests of the Company and its Board of Directors, Executive Management and shareholders.

To attract and retain key personnel without risking imprudence or unreasonable behaviour or risk acceptance, ViroGates combines fixed salaries, performance-based remuneration and share-based incentives. According to the Incentive Guidelines, the Board of Directors may decide to allocate warrants to a Board member or a member of the Management Team and decide on exercise price, vesting period and terms.

In 2018, no warrants were issued to members of the Board of Directors (2017: 0). The Board received a fixed fee of DKK 375,000 in aggregate - DKK 150,000 to the Chairman and DKK 75,000 to the other members. The fee, which was approved by the Annual General Meeting in 2018, was unchanged versus 2017. An identical fee for 2019 will be submitted for approval at the Annual Generating Meeting in April 2019. A consultancy fee totalling DKK 256,000 was paid to Lars Krogsgaard in addition to the board fee for his work done in connection with the financing of the Company during 2018.

The aggregate remuneration to the Management Team in 2018 totalled DKK 4,208,200 (2017: 2,408,400), hereof DKK 1,871,700 to Executive Management (2017: 1,313,100). No warrants were issued to Management in 2018, nor in 2017. Please refer to page 26 for details on Management's remuneration.

Corporate Social Responsibility

ViroGates recognizes that making a valuable contribution to society goes beyond research, development and marketing of new vital medical products. It starts within the Company itself and is the heart of how we do business socially, ethically, environmentally and financially. Where possible and feasible we will contribute towards the achievement of the UN Sustainable Development Goals.

The Company specifically contributes to fulfilling goal no. 3 – Good Health and Well-being. Furthermore, the principles of the UN Global Compact will guide the Company's business in the areas of human rights, labour rights, the environment and anti-corruption.

Human Resources

ViroGates feel responsible for the well-being of the Company's employees. Creating an open and flexible workplace where the individual employee thrives, and can develop and grow, is at the core of the Company's values. Management believes in the importance of employees having a good balance between work time and leisure and want to support employees in having a healthy and active life style.

Shareholder information

Share Capital

The share capital amounts to DKK 3,034,347 divided into 3,034,347 shares, each with a nominal value of DKK 1. The Company has one share class and all shares hold equal rights, including the right for each shareholder to vote at Annual General Meetings for the full number of shares owned. The shares are not subject to restrictions on transferability. At the end of 2018, ViroGates owned 2,585 (0,09%) treasury shares.

Initial Public Offering

In June 2018, all shares were admitted to trading on the multilateral trading facility Nasdaq First North Denmark. In connection with the listing, ViroGates carried out a capital increase through the offering of 824,175 newly issued shares at an offer price of DKK 91 per share. The offering was fully subscribed.

At the IPO, 586,740 shares were allocated to a group of cornerstone investors, including existing shareholders subscribing new equity, existing investors converting outstanding debt to equity as well as new Scandinavian investors, among others The Danish Growth Fund (Vækstfonden), Følsgaard Invest and the Swedish investor LMK Forward AB. In addition to these advance commitments, ViroGates received 1,572 new orders for a total of 563,500 shares. On this basis, the offering provided gross proceeds of DKK 75.0 million and net proceeds of DKK 69.5 million after costs and fees to advisers.

At the end of 2018, ViroGates had 799 registered shareholders. Five shareholders had notified shareholdings of 5% or more:

Largest shareholders as of 31 December 2018

Shareholder	Number of shares	Percent of capital
N. P. LOUIS-HANSEN APS.	735,919	24.25%
KIM GINNERUP APS	325,965	10.74%
4AM APS	325,965	10.74%
THE WAY FORWARD APS	188,183	6.20%
JEO Holding ApS	159,942	5.27%
Others	1,298,373	42.80%
Total no. shares outstanding	**3,034,347**	**100.00%**

Returns and capital structure

Historically, ViroGates has not paid out dividends and no proposals on dividends will be submitted by the Board until the Company has achieved long-term profitability.

The share price closed 2018 at DKK [60.00], yielding a negative return of 34.07% since the first day of trading in June. This development is believed to reflect the negative sentiment for Danish First North companies whose shares in general yielded a negative return in 2018.

The Board of Directors expects ViroGates' current cash position, combined with incremental income from new customer contracts, to constitute a sufficient financial basis for implementing ViroGates' strategy and business plans for 2019-20. Subject to a successful commercialization including contracts with 40 paying customers, ViroGates aims to be cash flow positive by the end of 2020.

Investor Relations

ViroGates aims to be perceived as a trustworthy and open company by the investor community. All information will be communicated correctly, in a balanced, transparent and timely way and simultaneously to investors, analysts and other stakeholders to facilitate regular trading and fair pricing of the shares.

From June to year-end, the Company published 10 company announcements along with regular updates on products, congresses, customers, trials, etc. Immediately after release, all announcements are made available on the IR web site together with presentations, share price information, and related information. Shareholders are encouraged to sign up at the InvestorPortal.

2019 Financial calendar

Annual General Meeting	25 April
Q1 Report	29 April
Q2 Report	21 August
Q3 Report	28 October

Management Team

Remuneration to the Management Team in 2018

DKK	Basic salary	Pension	Bonus	Share-based payment	Total 2018	Total 2017
Jakob Knudsen	1,244,500	125,600	501,600	0	1,871,700	1,313,100
Other members of Management Team*	1,812,000	85,900	438,600	0	2,336,500	1,207,300

* 2018 includes 12-month time of employment for Jesper Eugen-Olsen and May Britt Dyvelkov as well as 10.5 month time of employment for Thomas Krarup. 2017 figures include 12 months for Jesper Eugen-Olsen and May Britt Dyvelkov

Jakob Knudsen

Born 1968. CEO since 2011.

Education: Master of Law, Copenhagen University; MBA from Imperial College, UK.

Competencies

Working 25 years in life science, his extensive experience spans commercial operations, IP, sales and marketing, finance, partnerships, licensing, financing, listing requirements, a.o. Jakob Knudsen has held managerial positions in Egalet Corp. (CCO & CFO) and ALK-Abelló A/S (Head of Business Development).

Directorships

- Expres2ion Biotech Holding AB (BM)
- P.V. Fonden (BM)
- Jakob Knudsen (M)

Shareholding: 4,882 shares, 60,725 warrants (no changes in 2018)

Dr. Jesper Eugen-Olsen

Born 1963. Co-founder and CSO since 2001.

Education: PhD in Biochemistry, Copenhagen University.

Competencies

More than 30 years of research experience, author/co-author of +150 peer reviewed scientific publications and 12 patents. Further to being Senior Researcher and Principal Investigator at Copenhagen University Hvidovre Hospital, he is an independent expert and evaluator for a range of EU financed projects.

Directorships

- JEO Holding ApS (M)

Shareholding: 159,942 shares, 54,925 warrants (no changes in 2018)

May Britt Dyvelkov

Born 1960. CFO since 2018

Education: HDR

Competencies

Working in finance in her entire career, she has implemented financial systems and management tools facilitating companies to grow in a controlled manner. She has held CFO positions in IT companies such as Icelandic Kerfi A/S and Danish EET Nordic A/S and has also been part in M&A activity and financing.

Directorships

- May Britt Dyvelkov Consulting (M)

Shareholding: 1,490 shares, 10,985 warrants (no changes in 2018)

Dr. Thomas Krarup

Born 1963. VP, Global Sales & Marketing since 2018

Education: PhD in cell biology from Copenhagen University and Syracuse University, USA; CBA from AVT Business School.

Competencies

Has worked in the life science and clinical diagnostics industry since 1997, holding positions within scientific marketing, licensing, business development and sales in Radiometer Medical A/S, Becton Dickinson A/S, Roche Diagnostics A/S, Oncotech Inc, Exiqon A/S and ChemoMetec A/S.

Directorships

- None

Shareholding: 605 shares, 0 warrants (no changes in 2018)

BM: Board Member, M = Management

Board of Directors

The Board of Directors currently consists of four members, all elected by the shareholders at the General Meeting for a term of one year and all eligible for re-election. All members were re-elected at the 2018 Annual General Meeting and all have accepted re-nomination at the 2019 Annual General Meeting.

None of the Board members hold managerial positions in ViroGates, perform material ongoing consultancy services for the Company or have any interest in ViroGates except as holders of shares and warrants, an no member of the Board represents a controlling shareholder. Dr. Jørgen Thorball, co-founder of ViroGates, has been on the Board for more than 12 years and can therefore not be deemed independent, according to the Danish Corporate Governance Recommendations.

Supplementary information:

	Born	Nationality	Joined	Shares held	Warrants held
Lars Kongsbak	1961	Danish	2015	3,468	43,940
Lars Krogsgaard	1967	Danish	2016	325,965	0
Jørgen Thorball	1962	Danish	2001	10,204	21,970
Bernd Peter Uder	1957	German	2015	0	21,970

Dr. Lars Kongsbak, Chairman

President and CEO of Samplix ApS

Education
M.Sc. in Biology, Copenhagen University; Ph.D. in molecular biology from the Technical University of Denmark (DTU)

Competencies
Former President & CEO of listed biopharmaceutical company; strategic business development; M&A; financing, broad-based leadership experience; senior scientist positions at blue-chip companies.

Directorships
- BlueBee Holding BV (BM)

Lars Krogsgaard

Professional board member and investor

Education
B.Sc. in Economics, Copenhagen Business School; MBA in Finance and International Business, Stern School of Business, New York.

Competencies
Track-record as active investor, owner and board member in more than 25 Nordic companies incl. other growth companies; strategic development; business development; risk management; financing, M&A.

Directorships
- Daintel ApS (BM)
- DCR Solutions A/S (BM)
- Forward Capital A/S (BM, M)
- 4AM ApS (M)
- Samplix A/S (MB)
- 6AM ApS (M)

Dr. Jørgen Thorball MD

Managing Partner at XOventure GmbH

Education
MD, University of Copenhagen

Competencies
Life science entrepreneur and founder of several companies, many of them based on his own medical inventions; management and board positions in listed blue-chip pharma companies; financing; M&A.

Directorships
- 3Brain AG (C)
- BioMe AS (BM)
- Retipharma A/S (BM)
- Rigi Care (M)

Bernd Peter Uder

Chemo-Techniker

Education
M.Sc. Chemistry

Competencies
Extensive general management and sales & marketing experience during a more than 30-year career in the global life science and diagnostics industry, incl. positions as Senior Vice President and Managing Director at Qiagen.

Directorships
- Uder Consulting (M)

C = Chairman of the Board; BM = Member of the Board; M = Management.

Financial statements 2018

Income Statement 1 January - 31 December

	Amounts in DKK ('000)	2018	2017
	Net revenue	**3,316**	**2,441**
	Cost of sales	-312	-271
	Other external expenses	-15,123	-6,433
	Gross loss	**-12,119**	**-4,263**
1	Staff costs	-5,858	-3,308
	Depreciation, amortisation and impairment	-125	-119
	Operating loss	**-18,102**	**-7,690**
	Other financial income	9	16
	Other financial expenses	-823	-23
	Loss before tax	**-18,916**	**-7,697**
2	Tax on profit/loss for the year	1,930	1,710
	Loss for the year	**-16,986**	**-5,987**
	Proposed distribution of loss		
	Retained earnings	-16,986	-5,987
	Total	**-16,986**	**-5,987**

Balance Sheet at 31 December

Amounts in DKK ('000)		2018	2017
ASSETS			
Other plant, machinery, tools and equipment		117	242
Tangible fixed assets		**117**	**242**
Rent deposit and other receivables		110	108
Fixed asset investments		**110**	**108**
Fixed assets		**227**	**350**
Finished goods and goods for resale		694	695
Inventories		**694**	**695**
Trade receivables		431	366
Other receivables		24	330
Receivables, corporation tax		1,930	1,710
Prepayments and accrued income		34	60
Receivables		**2,419**	**2,466**
Cash and cash equivalents		**60,083**	**1,466**
Current assets		**63,196**	**4,627**
Assets		**63,423**	**4,977**

Amounts in DKK ('000)		2018	2017
EQUITY AND LIABILITIES			
Share capital		3,034	2,210
Retained earnings		57,977	788
Equity	3	**61,011**	**2,998**
Trade payables		339	262
Other liabilities		2,073	1,717
Current liabilities		**2,412**	**1,979**
Liabilities		**2,412**	**1,979**
Equity and liabilities		**63,423**	**4,977**
Contingencies etc.	4		

Cash Flow Statement 1 January - 31 December

Amounts in DKK ('000)	2018	2017
Profit/loss for the year	-16,986	-5,987
Reversed depreciation of the year	125	119
Reversed tax on profit/loss for the year	-1,930	-1,710
Corporation tax received	1,710	1,495
Change in inventory	1	-243
Change in receivables	268	1,134
Change in current liabilities	432	-1,033
Cash flows from operating activity	**-16,380**	**-6,225**
Purchase of tangible fixed assets	0	-130
Purchase of financial assets	-2	-2
Cash flows from investing activity	**-2**	**-132**
Capital increase	75,000	0
Cash flows from financing activity	**75,000**	**0**
Change in cash and cash equivalents	**58,618**	**-6,357**
Cash and cash equivalents at 1 January	1,466	7,823
Cash and cash equivalents at 31 december	**60,084**	**1,466**
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents	60,084	1,466
Cash and cash equivalents, net debt	**60,084**	**1,466**

Notes to the financial statements

Amounts in DKK ('000)	2018	2017
1 Staff costs		
Average number of employees	6	4
Wages and salaries	5,081	2,902
Pensions	280	234
Social security costs	34	23
Other staff costs	463	149
	5,858	**3,308**

The incentive programme for the Management Team and Board of Directors includes the option to subscribe shares during the period from 2019 to 2022 for up to 7 pct. of the present share capital at a pre determined price. The subscription cannot exceed one third per year. Thus, in the period up to 2022 the subscription of shares cannot exceed a nominal amount of DKK 208,715 at price 32.77 - 68.27, equal to a market price of a total amount of DKK ('000) 15,523.

Amounts in DKK ('000)	2018	2017
2 Tax on profit/loss for the year		
Calculated tax on taxable income of the year	-1,930	-1,710
	-1,930	**-1,710**

Amounts in DKK ('000)	Share capital	Share premium account	Retained earnings	Total
3 Equity				
Equity at 1 January 2018	2,210	0	787	2,997
Capital increase	824	74,176		75,000
Transfers to/from other items		-74,176	74,176	
Proposed distribution of loss			-16,986	-16,986
Equity at 31 December 2018	**3,034**	**0**	**57,977**	**61,011**

The company's share capital consists of 3,034,347 shares in the denomination of DKK 1.

The company has 2,585 treasury shares in the denomination of DKK 1, which is equivalent to 0.1% of the total share capital.

Under a resolution passed by the General Meeting, the Company may acquire treasury shares up to 10% of the share capital. Treasury shares are acquired for the purpose of incentive programmes for consultants and employees of the Company.

4 Contingencies etc.

The company has entered into an agreement for office rent with a notice of termination period of 6 months. The liability in this respect is DKK ('000) 110.

The company has entered into operating leases for cars with a remaining period of 34 months and an average annual payment of DKK ('000) 93.

Further, the Company has provided guarantee in the form of bank deposits of DKK ('000) 50 as security for all balances with Danske Bank.

Notes to the financial statements

Accounting policies

The Annual Report of ViroGates A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Income statement

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the Company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses
Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from debt and transactions in foreign currencies as well as charges and allowances under the tax on account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

Balance Sheet

Tangible fixed assets
Machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and write down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment	3 years	0-30%

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments
Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Notes to the financial statements

Accounting policies, continued

Inventories
Inventories are measured at cost using the FIFO principle. If the net realisable value is lower than cost, it is written down to the lower value.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write down to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents
Cash and cash equivalents include cash bank deposits.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Liabilities
Liabilities are measured at amortised cost equal to nominal value.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.

Statement by Board of Directors and Executive Management

Today the Board of Directors and Executive Management have discussed and approved the Annual Report of ViroGates A/S for the financial year 1 January – 31 December 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 Company's financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Birkerød, 27 March 2019

Executive Management

Jakob Ole Knudsen
CEO

Board of Directors

Lars Kongsbak
Chairman

Bernd Peter Uder

Jørgen Axel Thorball

Lars Krogsgaard

Independent Auditor's Report

To the Shareholders of ViroGates A/S

Opinion
We have audited the Financial Statements of ViroGates A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, cash flows, notes and 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 assets, liabilities and financial position of the Company's at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 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 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 Sta-tements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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 Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review 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 Management's Review.

Copenhagen, 27 March 2019

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Buch
State Authorised
Public Accountant
MNE no. mne34089

Per Frost Jensen
State Authorised
Public Accountant
MNE no. mne27740

Basis for calculation of earnings per share (EPS) (unaudited)*

	1 Oct - 31 Dec		1 Jul - 31 Dec		Full year	
	2018	2017	2018	2017	2018	2017
Amounts in DKK ('000)						
Net sales	826	399	1,650	856	3,316	2,441
Operating earnings	-3,142	-1,856	-5,990	-3,734	-18,102	-7,691
Earnings before tax	-3,226	-1,854	-6,222	-3,737	-18,916	-7,697
Net earnings	-3,609	-1,446	-5,950	-2,915	-16,986	-5,987
Amounts in DKK/share						
Earnings per share before dilution	-1.19	-0.65	-1.96	-1.32	-6.44	-2.71
Earnings per share after dilution	-1.11	-0.60	-1.83	-1.20	-5.73	-2.47
Number of shares ('000)						
Average number of shares before dilution	3,034	2,210	3,034	2,210	2,637	2,210
Average number of shares after dilution	3,249	2,424	3,249	2,424	2,963	2,429
Number of shares before dilution	3,034	2,210	3,034	2,210	3,034	2,210
Number of shares after dilution	3,249	2,424	3,249	2,424	3,466	2,429
Equity ratio, %			96%	60%	96%	60%
Number of warrants						
Warrants outstanding, average	431,174	218,615	214,215	214,215	326,558	218,615
Warrants outstanding, end-period	431,174	218,615	214,215	214,215	431,174	218,615
Amounts in DKK						
Shareholders equity per share	20.11	1.36	20.11	1.36	20.11	1.36
Period-end share market price	60.00	n/a	60.00	n/a	60.00	n/a
Number of employees end of period	5	4	5	4	8	4

*) Management's review comprises this page as well as pages 1-27.

Financial highlights and key ratios by quarter (unaudited)*

Amounts in DKK ('000)	2018					2017	
	Year audited	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited	Year audited	Q4 unaudited
Income statement							
Revenue	3.316	826	824	1.092	574	2.441	399
Cost of sales	312	109	52	87	64	271	82
Research and development expenses	4.318	438	1.201	1.198	1.481	4.274	515
Sales and marketing expenses	2.941	197	891	1.467	386	988	245
Administrative expenses	7.865	1.480	398	5.765	222	1.165	394
Personel cost	5.858	1.712	1.100	1.903	1.143	3.308	988
Operating profit/-loss before depreciation (EBITDA)	-17.977	-3.111	-2.817	-9.328	-2.721	-7.566	-1.825
Depreciation	125	31	31	31	31	119	31
Operating profit/-loss (EBIT)	-18.102	-3.142	-2.848	-9.360	-2.752	-7.684	-1.856
Net financial items	814	84	148	370	212	13	-2
Extraordinary costs	0	0	0	0	0	0	0
Profit/-loss before tax (EBT)	-18.916	-3.226	-2.996	-9.730	-2.964	-7.697	-1.854
Tax	1.930	-382	655	1.005	652	1.710	408
Net profit/-loss	-16.986	-3.609	-2.341	-8.724	-2.312	-5.987	-1.446
Average number of employees (FTE)	5	6	5	5	4	4	4

*) Management's review comprises this page as well as pages 1-27.

Company information

ViroGates A/S
Blokken 45
3460 Birkerød
Denmark

Tel. +45 2113 1336
Skype: virogates
info@virogates.com
www.virogates.com

The Annual General Meeting
The Annual General Meeting will be held on
25 April 2019 at 17.00 CET at
Comwell Holte, Kongevejen 495A,
2840 Holte, Denmark

Certified Advisor
Västra Hamnen Corporate Finance
Jungmansgatan 12
211 19 Malmö
Sweden

Per Lönn
Tel. +46 40 200 250
per.lonn@vhcorp.se

Independent Auditor
BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
1561 København V
Denmark

ViroGates

Blokken 45
DK-3460 Birkerød
Denmark