BEIERHOLM
VI SKABER BALANCE

Visiopharm A/S

Agern Allé 24, 2970 Hørsholm

CVR no. 26 18 66 76

Annual report
for the financial year 01.10.16 - 30.09.17

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 27.02.18

Kristian Dalhof Nielsen
Dirigent

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Group information etc.

The company

Visiopharm A/S
Agern Allé 24
2970 Hørsholm
Tel.: 72 40 29 90
Fax: 45 87 19 11
Registered office: Hørsholm
CVR no.: 26 18 66 76
Financial year: 01.10 - 30.09

Executive Board

Michael Grunkin
Johan Doré Hansen

Board Of Directors

Patrik Olof Dahlén, chairman
Michael Grunkin, member
Henrik Stender
Thomas Weilby Knudsen
Susanne Høiberg
Johan Doré Hansen
Per Arne Rickard Lindelöf

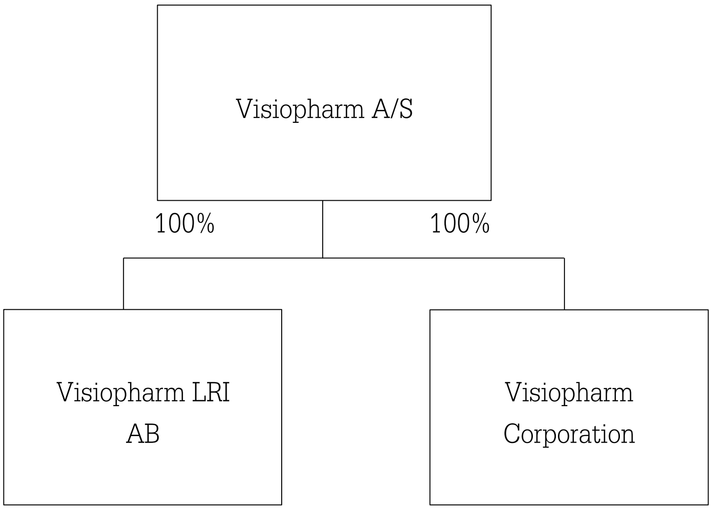
Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Subsidiaries

Visiopharm Corporation, USA
Visiopharm LRI AB, Sverige

Group chart


Visiopharm A/S
100%
100%
Visiopharm LRI AB
Visiopharm Corporation

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.10.16 - 30.09.17 for Visiopharm A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 30.09.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.10.16 - 30.09.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hørsholm, February 13, 2018

Executive Board

Michael Grunkin

Johan Doré Hansen

Board Of Directors

Patrik Olof Dahlén
Chairman

Michael Grunkin

Henrik Stender

Thomas Weilby Knudsen

Susanne Høiberg

Johan Doré Hansen

Per Arne Rickard Lindelöf

Independent auditor's report

To the Shareholder of Visiopharm A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Visiopharm A/S for the financial year 01.10.16 - 30.09.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 30.09.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.10.16 - 30.09.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements" 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance of the group audit. We remain solely responsible for our audit opinion.

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

Soeborg, Copenhagen, February 13, 2018

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Nislev

State Authorized Public Accountant
MNE-no. mne10444

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2016/17	2015/16
Profit/loss		
Revenue	62,451	35,670
Profit/loss before depreciation, amortisation, write-downs and impairment losses	5,954	2,432
Operating profit/loss	458	-639
Total net financials	-309	-207
Profit/loss for the year	-206	-628
Balance		
Total assets	49,841	20,401
Equity	22,678	13,214
Cashflow		
Net cash flow:		
Operating activities	-5,063	3,507
Investing activities	-9,321	-3,922
Financing activities	9,600	0
Cash flows for the year	-4,784	-415

Ratios

	2016/17	2015/16
Profitability		
Return on equity	-1%	-5%
Profit margin	1%	-2%
Equity ratio		
Equity interest	46%	65%

Ratios - continued -

	2016/17	2015/16
Others		
Number of employees (average)	37	30

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The technology focus of the company is Augmented Digital Pathology, which combines Digital Precision Pathology with High-Throughput Digital Pathology. Key markets and applications are in cancer diagnostics and cancer research, with customers in basic research, clinical research, biopharmaceutical drug development and for in-vitro diagnostics.

Development in activities and financial affairs

Revenues for the closed fiscal year was mDKK 62.5, compared to last year mDKK 35.7, corresponding to a revenue growth of 75%. The revenue was about 7% above budget, whereas gross profit was on target.

The growth is mainly within the company's ONCOtopix® products for cancer research and diagnostics. ONCOtopix® products are software systems for advanced computer based image analysis of scanned/digitalized tissue samples.

There are several factors behind the continued growth of the company, described in the following.

Figures in DKK'000	2016/17	2015/16	2014/15
Revenue	62,451	35,670	25,820
Other operating income	0	0	10
Total income	62,451	35,670	25,830
Cost of goods sold	-21,226	-6,761	-4,835
Gross profit I	41,225	28,909	20,995
Work performed for own acoount capitalised	3,776	2,976	2,523
Other operating expenses	-13,051	-13,062	-9,243
Gross profit II	31,950	18,823	14,275

Cancer diagnostics

ONCOtopix® Dx is a unique and patent protected product that solves key problems within cancer diagnostics: 1) Significant and scientifically documented improvement of data quality, 2) leading to more secure choice of optimal treatment of patients, and 3) increased productivity which addresses an increasing demand for improved turnaround times and a lack of specialized pathologists.

Over a longer period, Visiopharm has continued to invest substantial resources in developing, validating and getting regulatory approval for diagnostic APPs running on the ONCOtopix® Dx diagnostics platform. Over the last year, we have seen significant and growing adoption of the diagnostic solution in the near markets.

Cancer research

Improved interpretive accuracy is also of key importance in drug development, biomarker development / validation, contract research and in basic cancer research, where important scientific- and business decisions are based on this tissue- and biomarker data. These market segments continue to grow significantly.

The key product in the research segment is ONCOtopix® Discovery. The system is an open platform, which allows for fast/easy development of new APPs, thus enabling fast turnaround of testing new scientific hypotheses as they evolve.

APPs that are developed, tested and validated through the research project can be “locked” and transferred to the diagnostic platform. ONCOtopix® Discovery is today leading as platform technology for tissue based cancer research.

Development in important KPIs

Professional Services is a substantial part of the revenue increase mainly due to an expansion of active user base, and concomitant increase in recurring revenues from service contracts.

Moreover, there has been a marked increase in both win rate as well as the average deal size. This is partially driven by the type of products been sold. But also by the fact that the sales force is highly experiences and well equipped to support customers through a difficult digital transition.

The sales team was further strengthened in FY 2016-17, including new head counts that were successfully ramped faster than expected.

Development of the company

Management is very pleased with the development of both the organization and the commercial results achieved in the past year. In particular we are excited to see that the acquisition of the Swedish company, LRI Imaging, has been very successful and has contributed significantly to the growth for the year.

The growth expectations for the coming fiscal year are more modest, yet still ambitious. It is expected to further expand direct sales channels in new territories.

Forecasts for the first quarter of the 2017/18 fiscal years are on target, and forecasts for second quarter looks promising.

Important events occurring after the end of the financial year

No events having a significant effect on the company's financial position have occurred in the period subsequent to September 30, 2017.

Income statement

Note		Group 2016/17 DKK '000	Group 2015/16 DKK '000	Parent 2016/17 DKK '000	Parent 2015/16 DKK '000
	Revenue	**62,451**	**35,670**	**27,192**	**35,670**
	Work performed for own account and capitalised	3,776	2,976	3,776	2,976
	Other operating income	0	0	3,094	0
	Costs of raw materials and consumables	-21,226	-6,761	-3,152	-6,761
	Other external expenses	-13,051	-13,062	-9,509	-13,062
	Gross profit	**31,950**	**18,823**	**21,401**	**18,823**
1	Staff costs	-25,996	-16,391	-18,536	-16,391
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**5,954**	**2,432**	**2,865**	**2,432**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-5,496	-3,071	-5,496	-3,071
	Profit/loss before net financials	**458**	**-639**	**-2,631**	**-639**
	Income from equity investments in group enterprises	0	0	2,272	0
2	Financial income	26	23	68	23
3	Financial expenses	-335	-230	-318	-230
	Profit/loss before tax	**149**	**-846**	**-609**	**-846**
4	Tax on profit or loss for the year	-355	218	403	218
	Profit/loss for the year	**-206**	**-628**	**-206**	**-628**

Proposed appropriation account

	Group 2016/17 DKK '000	Group 2015/16 DKK '000	Parent 2016/17 DKK '000	Parent 2015/16 DKK '000
Reserve for net revaluation according to the equity method	0	0	1,671	0
Retained earnings	-206	-628	-1,877	-628
Total	**-206**	**-628**	**-206**	**-628**

Balance sheet

ASSETS

Note		Group		Parent	
		30.09.17 DKK '000	30.09.16 DKK '000	30.09.17 DKK '000	30.09.16 DKK '000
	Completed development projects	9,383	9,339	9,383	9,339
	Acquired rights	511	491	511	491
	Goodwill	8,846	210	42	210
5	**Total intangible assets**	**18,740**	**10,040**	**9,936**	**10,040**
	Other fixtures and fittings, tools and equipment	278	269	278	269
6	**Total property, plant and equipment**	**278**	**269**	**278**	**269**
7	Equity investments in group enterprises	0	0	11,534	1
	Deposits	179	174	179	174
	Total investments	**179**	**174**	**11,713**	**175**
	Total non-current assets	**19,197**	**10,483**	**21,927**	**10,484**
	Manufactured goods and goods for resale	2,090	41	40	41
	Prepayments for goods	134	0	0	0
	Total inventories	**2,224**	**41**	**40**	**41**
	Trade receivables	21,644	5,519	5,947	5,519
	Receivables from group enterprises	442	419	6,195	419
	Income tax receivable	23	381	774	381
	Other receivables	2,447	456	194	456
	Prepayments	279	148	279	148
	Total receivables	**24,835**	**6,923**	**13,389**	**6,923**
	Cash	**3,585**	**2,954**	**650**	**2,954**
	Total current assets	**30,644**	**9,918**	**14,079**	**9,918**
	Total assets	**49,841**	**20,401**	**36,006**	**20,402**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 30.09.17 DKK '000	Group 30.09.16 DKK '000	Parent 30.09.17 DKK '000	Parent 30.09.16 DKK '000
	Share capital	876	745	876	745
	Reserve for net revaluation according to the equity method	0	0	1,670	0
	Reserve for development costs	3,131	0	3,131	0
	Retained earnings	18,671	12,469	17,000	12,469
	Total equity	**22,678**	**13,214**	**22,677**	**13,214**
	Provisions for deferred tax	899	918	908	918
	Total provisions	**899**	**918**	**908**	**918**
8	Deferred income	300	185	300	185
	Total long-term payables	**300**	**185**	**300**	**185**
	Payables to other credit institutions	5,415	0	5,415	0
	Prepayments received from customers	1,656	1,001	1,102	1,001
	Trade payables	11,924	1,007	1,660	1,008
	Other payables	4,666	2,547	2,436	2,547
	Deferred income	2,303	1,529	1,508	1,529
	Total short-term payables	**25,964**	**6,084**	**12,121**	**6,085**
	Total payables	**26,264**	**6,269**	**12,421**	**6,270**
	Total equity and liabilities	**49,841**	**20,401**	**36,006**	**20,402**

9 Contingent liabilities
10 Charges and security

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings
Group:				
Statement of changes in equity for 01.10.15 - 30.09.16				
Balance pr. 01.10.15	745	0	0	13,097
Net profit/loss for the year	0	0	0	-628
Balance as at 30.09.16	745	0	0	12,469
Statement of changes in equity for 01.10.16 - 30.09.17				
Balance pr. 01.10.16	745	0	0	12,469
Foreign currency translation adjustment of foreign enterprises	0	0	0	70
Capital increase	131	0	0	9,469
Transfers to/from other reserves	0	0	3,131	-3,131
Net profit/loss for the year	0	0	0	-206
Balance as at 30.09.17	876	0	3,131	18,671
Parent:				
Statement of changes in equity for 01.10.15 - 30.09.16				
Balance pr. 01.10.15	745	0	0	13,097
Net profit/loss for the year	0	0	0	-628
Balance as at 30.09.16	745	0	0	12,469
Statement of changes in equity for 01.10.16 - 30.09.17				
Balance pr. 01.10.16	745	0	0	12,469
Foreign currency translation adjustment of foreign enterprises	0	0	0	70
Capital increase	131	0	0	9,469
Transfers to/from other reserves	0	0	3,131	-3,131
Net profit/loss for the year	0	1,670	0	-1,877
Balance as at 30.09.17	876	1,670	3,131	17,000

Consolidated cash flow statement

Note		Group 2016/17 DKK '000	Group 2015/16 DKK '000
	Net profit/loss for the year	**-206**	**-628**
11	Adjustments	6,213	3,059
	Change in working capital:		
	Inventories	-2,183	40
	Receivables	-15,040	-505
	Trade payables	9,745	-589
	Other payables relating to operating activities	-3,283	2,337
	Cash flows from operating activities before net financials	**-4,754**	**3,714**
	Interest income and similar income received	26	23
	Interest expenses and similar expenses paid	-335	-230
	Cash flows from operating activities	**-5,063**	**3,507**
	Purchase of intangible assets	-4,239	-3,760
	Purchase of property, plant and equipment	-183	-185
	Purchase of investments	-5	0
	Disposal of investments	0	23
	Acquisition of enterprise	-4,894	0
	Cash flows from investing activities	**-9,321**	**-3,922**
	Raising of additional capital	9,600	0
	Cash flows from financing activities	**9,600**	**0**
	Total cash flows for the year	**-4,784**	**-415**
	Cash, beginning of year	2,954	4,030
	Short-term payables to credit institutions, beginning of year	0	-661
	Cash, end of year	**-1,830**	**2,954**
	Cash, end of year, comprises:		
	Cash	3,585	2,954
	Short-term payables to credit institutions	-5,415	0
	Total	**-1,830**	**2,954**

	Group		Parent	
	2016/17 DKK '000	2015/16 DKK '000	2016/17 DKK '000	2015/16 DKK '000

1. Staff costs

	2016/17 DKK '000	2015/16 DKK '000	2016/17 DKK '000	2015/16 DKK '000
Wages and salaries	23,824	15,166	17,106	15,166
Pensions	433	343	392	343
Other social security costs	880	157	187	157
Other staff costs	859	725	851	725
Total	25,996	16,391	18,536	16,391
Average number of employees during the year	37	30	30	30

2. Financial income

	2016/17 DKK '000	2015/16 DKK '000	2016/17 DKK '000	2015/16 DKK '000
Interest, group enterprises	17	16	60	16
Other interest income	9	7	8	7
Total	26	23	68	23

3. Financial expenses

	2016/17 DKK '000	2015/16 DKK '000	2016/17 DKK '000	2015/16 DKK '000
Other interest expenses	194	120	193	120
Foreign currency translation adjustments	141	110	125	110
Total	335	230	318	230

4. Tax on profit or loss for the year

	2016/17 DKK '000	2015/16 DKK '000	2016/17 DKK '000	2015/16 DKK '000
Current tax for the year	365	-381	-393	-381
Adjustment of deferred tax for the year	-10	163	-10	163
Total	355	-218	-403	-218

5. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost pr. 01.10.16	23,218	2,318	840
Additions relating to mergers and acquisition of enterprises	0	0	9,782
Additions during the year	4,014	225	0
Disposals during the year	-13,562	0	0
Cost as at 30.09.17	13,670	2,543	10,622
Amortisation and impairment losses pr. 01.10.16	-13,879	-1,827	-630
Amortisation during the year	-3,970	-205	-1,146
Reversal of amortisation of and impairment losses on disposed assets	13,562	0	0
Amortisation and impairment losses as at 30.09.17	-4,287	-2,032	-1,776
Carrying amount as at 30.09.17	9,383	511	8,846
Parent			
Cost pr. 01.10.16	23,218	2,318	840
Additions during the year	4,014	225	0
Disposals during the year	-13,562	0	0
Cost as at 30.09.17	13,670	2,543	840
Amortisation and impairment losses pr. 01.10.16	-13,879	-1,827	-630
Amortisation during the year	-3,970	-205	-168
Reversal of amortisation of and impairment losses on disposed assets	13,562	0	0
Amortisation and impairment losses as at 30.09.17	-4,287	-2,032	-798
Carrying amount as at 30.09.17	9,383	511	42

Development projects concern the development of image analysis and stereology software to biopharmaceutical companies, hopitals ect.

6. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Group:	
Cost pr. 01.10.16	3,039
Additions during the year	183
Cost as at 30.09.17	3,222
Depreciation and impairment losses pr. 01.10.16	-2,770
Depreciation during the year	-174
Depreciation and impairment losses as at 30.09.17	-2,944
Carrying amount as at 30.09.17	278
Parent:	
Cost pr. 01.10.16	3,039
Additions during the year	183
Cost as at 30.09.17	3,222
Depreciation and impairment losses pr. 01.10.16	-2,770
Depreciation during the year	-174
Depreciation and impairment losses as at 30.09.17	-2,944
Carrying amount as at 30.09.17	278

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost pr. 01.10.16	1
Foreign currency translation adjustment of foreign enterprises	-1
Additions during the year	9,864
Cost as at 30.09.17	9,864
Foreign currency translation adjustment of foreign enterprises	55
Net profit/loss from equity investments	2,594
Revaluations as at 30.09.17	2,649
Foreign currency translation adjustment of foreign enterprises	16
Amortisation of goodwill	-978
Net profit/loss from equity investments	-322
Other adjustments relating to equity investments	-1
Negative equity value impaired in receivables	306
Depreciation and impairment losses as at 30.09.17	-979
Carrying amount as at 30.09.17	11,534
The item comprises goodwillas at 30.09.17 of	8,804

Name and Registered office:	Ownership interest
Group enterprises:	
Visiopharm Corporation, USA	100%
Visiopharm LRI AB, Sverige	100%

8. Longterm payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 30.09.17	Total payables at 30.09.16
Group:			
Deferred income	0	300	185
Total	0	300	185
Parent:			
Deferred income	0	300	185
Total	0	300	185

9. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with terms to maturity of 37 months and average lease payments of DKK 20k, a total of DKK 750k.

Other contingent liabilities

In the possible future event of certain contractually defined changes occurring to the existing shareholder control of Visiopharm A/S shares on a regulated market, the company has an obligation to defray a remuneation amount equal to a maximum of 2 per cent of the market value of Visiopharm A/S as at the time of the change of ownership control.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 37 months and average lease payments of DKK 17k, a total of DKK 629k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Visiopharm Holding ApS.

In the possible future event of certain contractually defined changes occurring to the existing shareholder control of Visiopharm A/S shares on a regulated market, the company has an obligation to defray a remuneation amount equal to a maximum of 2 per cent of the market value of Visiopharm A/S as at the time of the change of ownership control.

10. Charges and security

Group:

As security for debt to credit institutions of DKK 5,415k, a company charge of DKK 4,000k been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 16,201k.

Parent:

As company for debt to credit institutions of DKK 5,415k, a company charge of DKK 4,000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 16,201k.

	Group	
	2016/17 DKK '000	2015/16 DKK '000
11. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	5,496	3,071
Financial income	-26	-23
Financial expenses	336	230
Tax on profit or loss for the year	355	-219
Other adjustments	52	0
Total	6,213	3,059

12. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for groups and enterprises in reporting class B with application of provisions for a higher reporting class.

The group's accounting policies have been applied consistently with previous years. The accounting policies of the parent have changed which is stated in the 'Change in accounting policies' section.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 738 amending the Danish Financial Statements Act of 1 June 2015 (*lov nr. 738 om ændring af årsregnskabsloven m.v. af 1. juni 2015*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition and measurement as well as classification are as follows:

Reserve for development costs

In future, an amount equivalent to the internally generated development costs in the balance sheet must be recognised under a new undistributable reserve in equity, referred to as 'Reserve for development costs'. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the assets. The reserve is dissolved when the development costs are no longer associated with the operations of the enterprise, and any remaining amount is transferred to retained earnings. In accordance with section 8(2) of act no. 738 amending the Danish Financial Statements Act of 1 June 2015, development costs are recognised prospectively under the reserve, with initial recognition in the balance sheet as from 01.10.16. The change in accounting policy has no impact on the net profit or loss for the year, balance sheet total or equity. The change has resulted in an increase in undistributable reserves (the reserve for development costs) of DKK 3.131k as at 30.09.17 and a corresponding reduction in distributable reserves (retained earnings).

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

Basis of recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and

12. Accounting policies - continued -

the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Newly acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

12. Accounting policies - continued -

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the subsidiaries' net assets at the date of the establishment of the group relationship.

The goodwill (positive difference) determined at the date of acquisition is recognised under intangible assets in the consolidated financial statements and under equity investments in subsidiaries in the parent's balance sheet. Goodwill is amortised using the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 10 years in consideration of the expected future net earnings of the enterprise to which goodwill relates. Goodwill from acquired enterprises is adjusted until the end of the year after the year in which the acquisition took place.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are

12. Accounting policies - continued -

recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, work performed for own account and capitalised and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

12. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	5	0
Acquired rights	5	0
Goodwill	5-10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 5-10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

12. Accounting policies - continued -

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directlyor indirectly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

12. Accounting policies - continued -

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Accounting policies for the acquisition of new enterprises are stated in the 'Business combinations' section.

12. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by

12. Accounting policies - continued -

the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be adopted before adoption of the annual report for Visiopharm A/S are not tied up in the revaluation reserve.

An amount equivalent to internally generated development costs in the balance sheet is recognised in the financial statements of the parent in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer associated with the operations of the enterprise, and the remaining amount will be transferred to retained earnings. In accordance with act no. 738 amending the Danish Financial Statements Act of 1 June 2015, development costs will initially be recognised in the reserve, with initial recognition in the balance sheet from 1 January 2016.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value

12. Accounting policies - continued -

can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repay-

12. Accounting policies - continued -

ment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.