

# Visiopharm A/S

Agern Allé 24, 2970 Hørsholm  
CVR no. 26 18 66 76

## Annual report for the financial year 01.10.15 - 30.09.16

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 22.12.16

Kristian Dalhof Nielsen  
Dirigent

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**The company**

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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

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**Board of Directors**

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Patrik Olof Dahlén, chairman  
Direktør Susanne Høiberg  
Direktør Michael Grunkin  
Direktør Henrik Stender  
Direktør Johan Doré Hansen  
Direktør Thomas Weilby Knudsen

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**Executive Board**

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Direktør Michael Grunkin  
Direktør Johan Doré Hansen

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

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**Bank**

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Danske Bank  
Nordea Bank A/S

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

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Board of Directors and Executive Board have on this day considered and adopted the annual report for the financial year 01.10.15 - 30.09.16 for Visiopharm A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities, financial position and results.

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

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

Hørsholm, December 7, 2016

### Executive Board

Direktør Michael Grunkin      Direktør Johan Doré Hansen

### Board of Directors

Patrik Olof Dahlén      Direktør Susanne Høiberg      Direktør Michael Grunkin  
Chairman

Direktør Henrik Stender      Direktør Johan Doré Hansen      Direktør Thomas Weilby  
Knudsen

**To the capital owner of Visiopharm A/S****REPORT ON FINANCIAL STATEMENTS**

We have audited the financial statements of Visiopharm A/S for the financial year 01.10.15 - 30.09.16, which comprise the income statement, balance sheet, accounting policies and notes. The financial statements are prepared in accordance with Danish Financial Statements Act.

**Management's responsibility for the financial statements**

The Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

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

Our audit has not resulted in any qualifications.

## Opinion

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30.09.16 and of the results of the company's operations for the financial year 01.10.15 - 30.09.16 in accordance with the Danish Financial Statements Act.

## STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, December 7, 2016

### Beierholm

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Thomas Nislev  
State Authorized Public Accountant

### Main activities

The technology focus of the company is on Quantitative Digital Pathology with applications in cancer diagnostics and cancer research. The technology is sold and deployed in basic research, clinical research, biopharmaceutical drug development and for in-vitro diagnostics.

### Development in the company's financial activities and affairs

	2015/16	2014/15	2013/14
	DKK '000	DKK '000	DKK '000
Revenue	35.670	25.820	16.388
Other operating income	0	10	10
Total income	35.670	25.830	16.398
Cost of goods sold	-6.761	-4.835	-1.965
Gross profit I	28.909	20.995	14.433
Other operating expenses	-13.062	-9.243	-5.150
Gross profit II	15.847	11.752	9.283

Revenue for the closed fiscal year was close to mDKK 36, compared to last year mDKK 26, corresponding to a revenue growth of 38%, which was also the growth for the annual Gross Profit. Moreover, the result was slightly better than the budgeted deficit of mDKK 0.6.

The budgeted deficit was due to significant expansion of headcount in all functions of the company, including senior management, which will allow the company to sustain its continued growth.

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.

### 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.

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**

Improving data quality is also of key importance in drug development, contract research and in basic cancer research, where important scientific- and business decisions are based upon 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 developing new APPs without an IT background and to enable and test scientific hypotheses by configuring image analysis APPs that quantifies tissue characteristics including biomarker statistics.

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 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 will be further strengthened in FY 2016-17.

**Development of the company**

Management is very pleased with the development of both the organization and the commercial results achieved in the past year.

The growth targets for the coming fiscal year are ambitious, but based on a realistic business plan developed by the full management team. Looking at the first quarter of the 2016/17 fiscal year, the performance seems to meet or exceed the ambitious growth budget.

**Important events occurring after the end of the financial year**

No events having a significant effect on the company's financial position have occurre in the period subsequent to September 30, 2016.



**Income statement**

Note	2015/16 DKK	2014/15 DKK '000
<b>Gross profit</b>	<b>15.846.479</b>	<b>11.752</b>
1 Staff costs	-13.414.971	-7.745
<b>Profit/loss before depreciation, amortisation, write-downs and impairment losses</b>	<b>2.431.508</b>	<b>4.007</b>
Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment and intangible assets	-3.071.252	-2.785
<b>Operating profit/loss</b>	<b>-639.744</b>	<b>1.222</b>
2 Other financial income	22.704	227
3 Other financial expenses	-230.052	-217
<b>Total net financials</b>	<b>-207.348</b>	<b>10</b>
<b>Profit/loss before tax and extraordinary items</b>	<b>-847.092</b>	<b>1.232</b>
4 Tax on profit/loss for the year	218.603	24
<b>Profit/loss for the year</b>	<b>-628.489</b>	<b>1.256</b>
<b>Proposed appropriation account</b>		
Retained earnings	-628.489	1.256
<b>Total</b>	<b>-628.489</b>	<b>1.256</b>

<b>ASSETS</b>		30.09.16	30.09.15
Note		DKK	DKK '000
	Completed development projects	9.339.023	8.301
	Acquired rights	490.601	530
	Goodwill	210.045	378
<b>5</b>	<b>Total intangible assets</b>	<b>10.039.669</b>	<b>9.209</b>
	Other plant, fixtures and fittings, tools and equipment	269.135	225
<b>6</b>	<b>Total property, plant and equipment</b>	<b>269.135</b>	<b>225</b>
<b>7</b>	Equity investments in group enterprises	577	1
	Other receivables	174.304	197
	<b>Total investments</b>	<b>174.881</b>	<b>198</b>
	<b>Total non-current assets</b>	<b>10.483.685</b>	<b>9.632</b>
	Manufactured goods and goods for resale	41.093	81
	<b>Total inventories</b>	<b>41.093</b>	<b>81</b>
	Trade receivables	5.518.848	5.296
	Receivables from group enterprises	418.694	397
	Income tax receivable	381.103	0
	Other receivables	456.070	186
	Prepayments	147.548	158
	<b>Total receivables</b>	<b>6.922.263</b>	<b>6.037</b>
	<b>Cash</b>	<b>2.953.785</b>	<b>4.030</b>
	<b>Total current assets</b>	<b>9.917.141</b>	<b>10.148</b>
	<b>Total assets</b>	<b>20.400.826</b>	<b>19.780</b>

<b>EQUITY AND LIABILITIES</b>		30.09.16	30.09.15
Note		DKK	DKK '000
	Share capital	744.828	745
	Retained earnings	12.468.120	13.097
<b>8</b>	<b>Total equity</b>	<b>13.212.948</b>	<b>13.842</b>
	Provisions for deferred tax	918.200	756
	<b>Total provisions</b>	<b>918.200</b>	<b>756</b>
	Deferred income	50.388	238
<b>9</b>	<b>Total long-term payables</b>	<b>50.388</b>	<b>238</b>
	Debt to credit institutions	0	661
	Prepayments received from customers	1.001.280	102
	Trade payables	1.007.715	1.597
	Other payables	2.547.017	1.338
	Deferred income	1.663.278	1.246
	<b>Total short-term payables</b>	<b>6.219.290</b>	<b>4.944</b>
	<b>Total payables</b>	<b>6.269.678</b>	<b>5.182</b>
	<b>Total equity and liabilities</b>	<b>20.400.826</b>	<b>19.780</b>

- 10 Contingent liabilities
- 11 Security provided
- 12 Contractual obligations

**GENERAL**

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act for reporting class B enterprises.

The accounting policies have been applied consistently with previous years.

**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 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 time at which the annual report is presented and proving or disproving matters arising on the balance sheet date.

**FOREIGN CURRENCY**

The annual report is presented in Danish kroner.

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate 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 rate 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 liability arose or was recognised in the latest annual report is recognised in the income statement under financial income or expenses. Non-current assets, inventories and other non-monetary assets acquired in foreign currency are translated using historical ex-change rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are recognised at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are recognised 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 and income statements using the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries which are considered part of the overall investment are recognised directly in equity.

## **INCOME STATEMENT**

### **Gross profit**

Gross profit comprises revenue, other operating income, costs relating to raw materials and consumables as well as other external costs.

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. Revenue is determined at fair value exclusive of VAT and discounts.

Other external expenses comprise distribution, selling, advertising and administration costs as well as costs of premises, bad debts and operating leases.

### **Staff cost**

Staff cost consist of wages, salaries and other cost related to staff.

### Depreciation and amortisation

The amortisation of intangible assets and depreciation of property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. The following useful lives and residual values are applied by the company:

	Useful lives, years	Residual value, per cent
Færdiggjorte udviklingsprojekter	5	0
Erhvervede rettigheder	5	0
Goodwill	5	0
Andre anlæg, driftsmateriel og inventar	3-5	0

New acquisitions of other fixtures and fittings, tools and equipment with a cost of less than DKK 12,900 each are expensed in the income statement in the year of acquisition.

### Net financials

Interest income and interest expenses, foreign currency translation adjustments as well as realised and unrealised capital gains and losses on securities are recognised under net financials.

Dividend from equity investments recognised at cost is recognised as income in the parent in the financial year in which the dividend is declared.

### Tax

The current and deferred taxes for the year are recognised in the income statement as taxes for the year with the portion attributable to the net profit or loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is taxed jointly with the Danish consolidated enterprises.

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

Intangible assets are measured in the balance sheet at the lower of cost less accumulated amortisation and the recoverable amount.

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. Expenses incidental to development projects are recognised at cost with any expenses, including labour costs and amortisation, which can be directly attributed to such development projects. 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.

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

### Property, plant and equipment

Property, plant and equipment are measured in the balance sheet at the lower of cost less accumulated depreciation and recoverable amount.

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

### Investments

Equity investments in subsidiaries are measured in the balance sheet at cost less any depreciation.

Equity investments in subsidiaries are impaired to the lower of recoverable amount and carrying amount.

Other receivables comprise deposits, which are valued at amortised cost.

**Impairment of assets**

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

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.

**Inventories**

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

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 on the basis of an assessment of the individual receivables.

**Prepayments**

Prepayments comprise costs incurred in respect of the next financial year.

**Cash**

Cash consist of bank deposits and cash at bank and in hand.



**Equity**

The proposed dividend for the financial year is recognised as a special item under equity.

**Current and deferred taxes**

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 taxes paid on account.

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

Deferred tax liabilities and deferred tax assets are computed on the basis of all temporary differences between the carrying amount and tax base 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 either the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of the management's intended use of the asset or settlement of the liability.

Deferred tax is measured on the basis of the tax rules and at the tax rates 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.

**Liabilities**

Current liabilities are measured at amortised cost, which usually corresponds to the nominal value of the liability.

**Deferred income**

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

**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.

	2015/16 DKK	2014/15 DKK '000
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**1. Staff costs**

Wages	12.189.642	7.189
Pensions	343.106	155
Other social security expenses	157.440	110
Other staff costs	724.783	291
<b>Total</b>	<b>13.414.971</b>	<b>7.745</b>

**2. Other financial income**

Financial income from group enterprises	16.009	5
Interest income	6.695	9
Foreign currency translation adjustments	0	213
<b>Total</b>	<b>22.704</b>	<b>227</b>

**3. Other financial expenses**

Interest expenses	119.973	217
Foreign currency translation adjustments	110.079	0
<b>Total</b>	<b>230.052</b>	<b>217</b>

**4. Taxes**

Tax on profit for the year	-381.103	0
Deferred tax of the year	162.500	319
Adjustment of tax in respect of previous years	0	-343
<b>Total</b>	<b>-218.603</b>	<b>-24</b>

**5. Intangible assets**

Figures in DKK	Completed development projects	Acquired rights	Goodwill
Cost as at 30.09.15	19.629.552	2.146.688	839.923
Additions during the year	3.588.694	171.412	0
Cost as at 30.09.16	23.218.246	2.318.100	839.923
Amortisation and impairment losses as at 30.09.15	11.328.302	1.616.554	461.893
Amortisation during the year	2.550.921	210.945	167.985
Amortisation and impairment losses as at 30.09.16	13.879.223	1.827.499	629.878
Carrying amount as at 30.09.16	9.339.023	490.601	210.045

**6. Property, plant and equipment**

Figures in DKK	Other plant, fixtures and fittings, tools and equipment
Cost as at 30.09.15	2.853.784
Additions during the year	185.069
Cost as at 30.09.16	3.038.853
Depreciation and impairment losses as at 30.09.15	2.628.317
Depreciation during the year	141.401
Depreciation and impairment losses as at 30.09.16	2.769.718
Carrying amount as at 30.09.16	269.135



**8. Equity** - continued -

Share capital movements during the four preceding financial years:

	2014/15 DKK	2013/14 DKK	2012/13 DKK	2011/12 DKK
Balance, beginning of year	675.000	675.000	652.176	652.176
Capital increase	69.828	0	22.824	0
Balance, end of year	744.828	675.000	675.000	652.176

The share capital consists of:

	Quantity	Nominal value
Shareclass A	167.004	1
Shareclass B	577.824	1

**9. Payables**

	Repayment first year DKK	Outstanding debt after 5 years DKK
Deferred income	-50.388	0
Total	-50.388	0

## 10. Contingent liabilities

The company is taxed jointly with the other danish companies in the group, and, as from the 2013 financial year, the company is liable together with the other jointly taxed companies for the total income tax and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. As at the balance sheet date, the total liability amounts to DKK 0. The liability furthermore includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

## 11. Security provided

As security for mortgage debt of DKK 0k, the company has provided a company charge of DKK 4.000k comprising goodwill, intellectual property rights, trade receivables, inventories, other plant, fixtures and fittings, tools and equipment. The total carrying amount of the comprised assets is DKK 15.869k.

30.09.16	30.09.15
DKK	DKK '000

## 12. Contractual obligations

Non-finance lease and lease payments:

Next year	640.900	0
2 - 5 years	597.332	0
After 5 years	2.804	0
Total	1.241.036	0