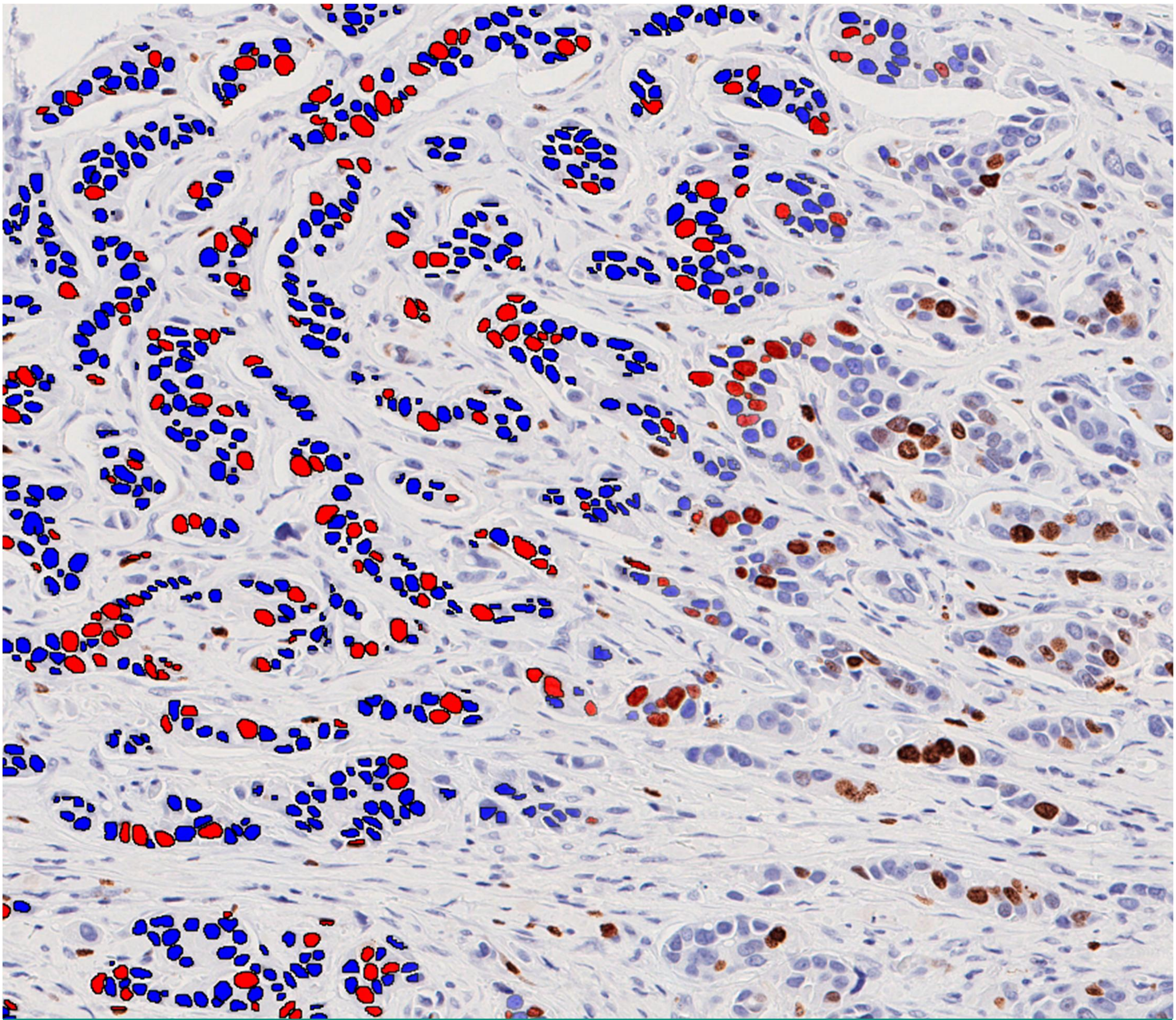
VISIO PHARM®



Visiopharm A/S
Agern Allé 24, DK-2970 Hoersholm
CVR no. DK 26 18 66 76

Annual report for the financial year: 1 Oct 2020 to 30 Sept 2021

This annual report has been
adopted at the company's annual
general meeting on 21/12 2021

Chairman of the meeting:
Daniel Mühlestein Christiansen

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Group information etc.

The company

Visiopharm A/S
Agern Allé 24
DK-2970 Hoersholm
Tel.: 88 20 20 88
Fax: 45 87 19 11
Registered office: Hoersholm
CVR no.: DK 26 18 66 76
Financial year: 01.10 – 30.09

Executive Board

Michael Grunkin
Johan Doré Hansen

Board of Directors

Patrik Olof Dahlén, chairman
Martin Bonde
Claus Henrik Berner Møller
Henrik Stender
Thomas Weilby Knudsen
Susanne Høiberg

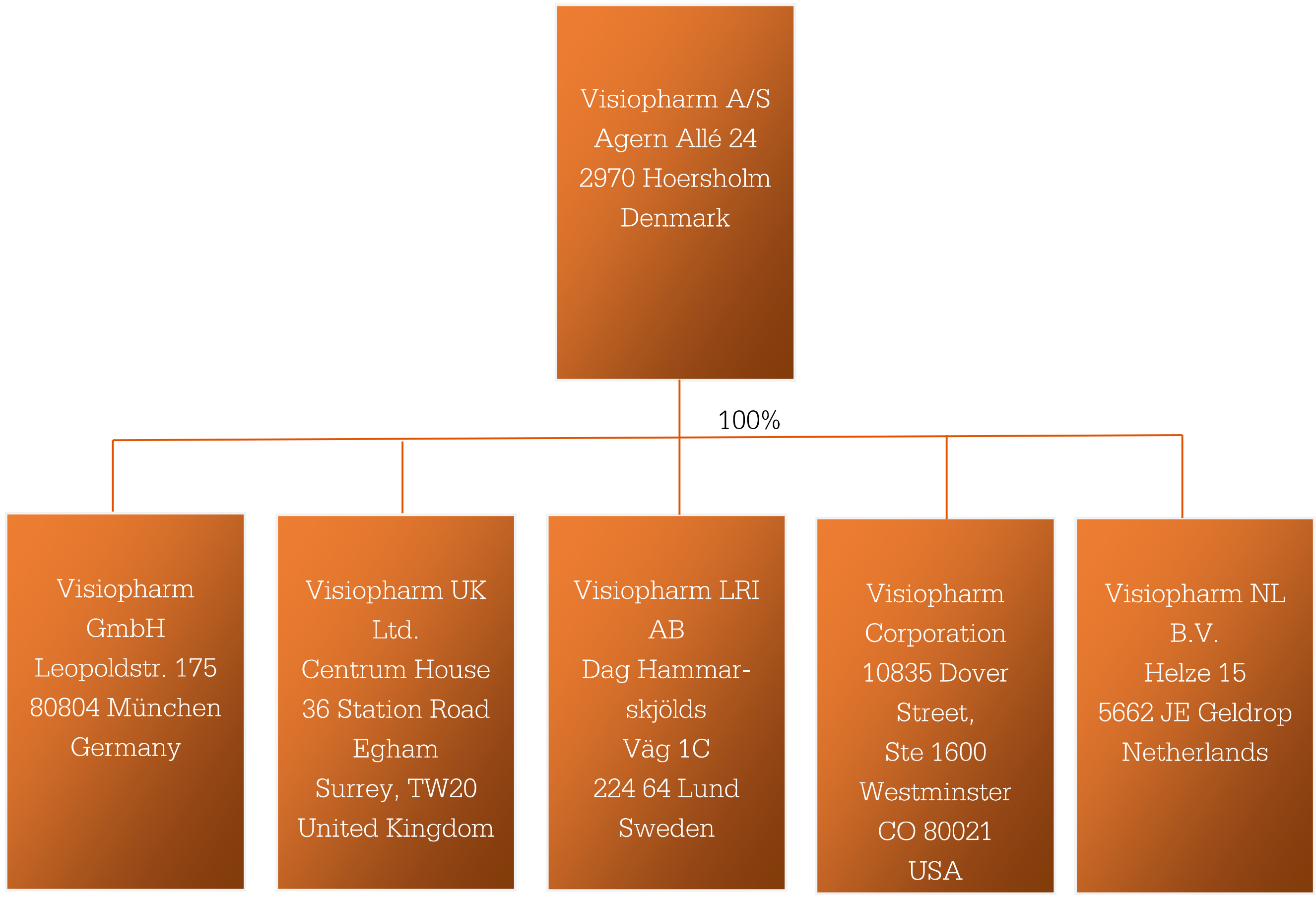
Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR-no.: DK 33 96 35 56

Subsidiaries

Visiopharm Corporation, USA
Visiopharm LRI AB, Sweden
Visiopharm UK Limited, England
Visiopharm GmbH, Germany
Visiopharm NL B.V., Netherlands

Group chart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Helze 15
5662 JE Geldrop
Netherlands

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

The Board of Directors and the Executive Board have today considered and adopted the annual report of Visiopharm A/S for the financial year 01.10.2020 – 30.09.2021.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act (*Årsregnskabsloven*) for annual reports of class C for medium-sizes companies. The financial statements of the parent company, Visiopharm A/S, have been prepared in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*).

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 30.09.2021 and of the results of the group's and the parent's activities and of the group's cash flows for the financial year 01.10.2020 – 30.09.2021.

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.

Hoersholm, December 1, 2021

Executive Board

Michael Grunkin	Johan Doré Hansen

Board of Directors

Patrik Olof Dahlén Chairman	Martin Bonde	Claus Henrik Berner Møller
Thomas Weilby Knudsen	Susanne Høiberg	Henrik Stender

Independent auditor's report

To the shareholders of Visiopharm A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Visiopharm A/S for the financial year 01.10.2020 – 30.09.2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 30.09.2021, and of the results of its operations and cash flows for the financial year 01.10.2020 – 30.09.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 30.09.2021, and of the results of its operations for the financial year 01.10.2020 – 30.09.2021 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent'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 the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

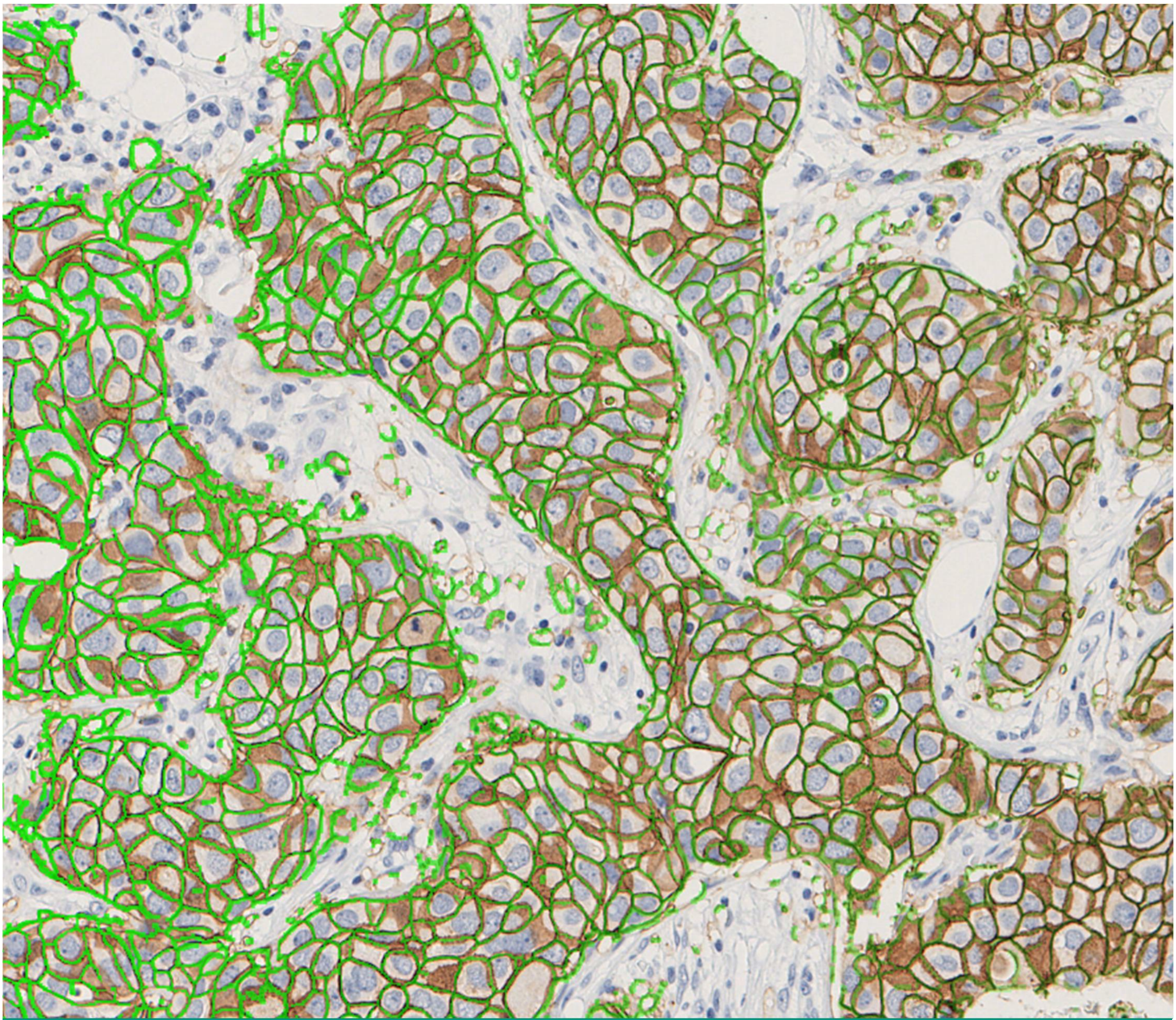
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

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

Copenhagen, December 1, 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Bill Haudal Pedersen	Helene Christine Joost
State Authorized Public Accountant	State Authorized Public Accountant
MNE no. Mne30131	MNE no. Mne46617



Visiopharm A/S
Agern Allé 24, DK-2970 Hoersholm
CVR no. DK 26 18 66 76

Management report:
1 Oct 2020 to 30 Sept 2021

This is Visiopharm

Visiopharm A/S develops and markets software solutions within Precision Pathology, providing highly standardized tissue data as decision support for pathologists and oncologists. Key markets and applications are in tissue diagnostics, translational research, (e.g. discover- and development of companion diagnostic biomarkers and decision support), and basic tissue-based research.

Our solutions are generally used for quantifying micro-structural information from tissue. A unique differentiator for Visiopharm is the combination of Next Generation image analysis and novel tools for Stain Quality Management. We refer to this jointly as AI-driven precision pathology.

Visiopharm serve customers such as Basic Research Institutions, Academic Medical Centers, Biopharma companies, Tissue Diagnostic Companies, and Routine Diagnostic Pathology Labs requiring regulatory approval.

Over the last 20 years, the technology has been truly battletested and vetted in very demanding environment and is widely recognized as the most mature and robust in the industry.

Visopharms technology stack is integrated in a fully configurable software product platform, incorporating among other things the most recent advances in AI and Deep Learning. This has provided Visiopharm with a highly scalable approach to deliver products and applications along the entire research-diagnostic continuum.

With Visiopharms long presence in the market, the company has achieved scanner independence, integration with numerous LIS/PACS systems, and validated the technology on different Stainer platforms.

Having about almost 900 licenses sold across more than 40 countries, Visiopharm is a truly international company. With a footprint of more than 75 diagnostic pathology labs in Europe, Visiopharm is establishing itself as a leading diagnostic pathology company. The largest revenue contribution still comes from the research market but the Diagnostic market is a growing contributor. Visiopharm is widely recognized for the most comprehensive and powerful research solution in computational pathology.

Trends and markets

Cancer research and diagnostics

Cancer is a leading cause of death worldwide, accounting for nearly 10 million deaths in 2020[1]. The number of new cancer cases is expected to increase by about 70% over the next two decades. Immuno-oncology (IO) represents a recent breakthrough in the fight against cancer, leading to new targeted treatments with the promise to significantly improve patient outcomes. More than 4000 new immune therapies are currently moving through the biopharmaceutical development pipelines. A correct cancer diagnosis is essential for optimal treatment selection, as every cancer type requires a specific treatment regimen.

With the ability to provide detailed and spatially resolved information about tumor type, tissue pathology plays a central role in the entire research-diagnostic continuum, including drug- development and profiling, discovery- and development of new companion diagnostic biomarkers (CDx), diagnostic decision support, and quality management.

This, however, will require transformational changes in order for tissue-pathology to enter the stage of precision medicine.

AI-based precision pathology and unmet needs

In Visiopharm we believe that AI-Based Precision Pathology has the potential to transform pathology. Visiopharm is uniquely positioned to serve customers and their full scope of applications, with one highly configurable and scalable technology platform.

Visiopharm strive to transform pathology by successfully addressing three unmet needs:

Productivity and Efficiency	Standardization and quality	Enabling tools and technologies
Healthcare systems across the world are under pressure from a growing diagnostic volume, resulting from growing cancer incidence and the growing number of (companion) diag-nostic tests required for optimal treatment decisions. A severe shortage of pathologists is creating bottlenecks in the diagnostic workflow. Digital- and computational pathology has	Several steps in the long tissue-diagnostic value chain are associated with the risk of introducing error. Important examples are poor stain quality[2] and human assessment errors due to limitations in the human cognitive systems, that are both addressed by Visiopharm's unique and patented AI-based solutions. With these two error sources	In the era of immuno-oncology, there is a growing demand for tools and technologies enabling the discovery and development of new companion diagnostic biomarkers. With multi- to high-plexed staining techniques and increasingly sophisticated imaging technology, there is a concomitant and growing demand for software tools

[1] WHO Annual report

[2] Tissue staining with reagents provided by for example Agilent, Leica, and Roche (Ventana) provide color reactions in the tissue, allowing pathologists answer questions about e.g. tumor type.

a unique potential to automate workflows and provide decision support for increasingly complex tests, addressing the growing demand for productivity and efficiency. Our Next Generation image analysis APPs, are automating critical aspects of the assessment, and Visiopharm is well positioned to deliver on the demand for such tools.

alone contributing as much as 30% misclassification[3] respectively, such technology has the potential to improve and standardize the interpretive quality of tissue data, allowing tissue pathology to enter the realm of precision medicine.

enabling a detailed and spatially resolved analysis of such high-dimensional image datasets. Such tools, in combination with powerful AI-based solutions for image analysis enables a deeper understanding of the tumor micro-environment.

Visiopharm Customers, markets and channels

Visiopharm deliver the solutions via direct channels in Europe and US and via several indirect channel partners. Over this past year, Visiopharm has built and strengthened global partnerships for both diagnostic- and research products:

Sales and marketing partnerships

Agilent

Global re-seller agreement allowing Agilent to sell Visiopharm's diagnostic product suite worldwide[4].

Jinan Danjier Electronics

Re-seller agreement to offer Visiopharm's suite of research products across China[5].

Fluidigm

Technical integration and co-marketing programme. Fluidigm will now be able to offer Visiopharm® image analysis software for faster and more streamlined analysis of multi- and hyper-plex image data acquired using their Imaging Mass Cytometry™ (IMC™).

Other types of partnerships

Agilent

Partnered with Visiopharm to accelerate the development and regulatory clearance of Next Generation decision support APPs for two relatively complex companion diagnostic biomar-kers. Part of the development program also include stain quality management APPs for the

Joint Pathology Center (JPC)

The premier pathology reference center for the United States federal government and part of the US Defense Health Agency, selected Visiopharm as the AI-driven image analysis partner the to support an important initiative to modernize the largest collection of human

Nexus AG

A world-leading provider of Laboratory Information Manage-ment System (LIMS) software, offering a pathology software platform, with a dominating posi-tion in Germany. Visiopharm and Nexus has completed the tech-nical integration, which will allow pathology labs a

[3] NordiQC and publication by Karolinska & Visiopharm.
[4] Press-release, September 2, 2021
[5] Press-release, August 16, 2021

Qualitopix, which both parties view as an important step to improve standardization.

pathology specimens in the world. The JPC tissue repository contains approximately 55 million glass slides, 31 million paraffin-embedded tissue blocks, and over 500,000 wet tissue samples that have been collected over the last 102 years[6].

seamless inte-gration of Visiopharm's solu-tions in diagnostic workflows.

The combined capabilities in strategic partnerships serve as a promising foundation for future growth.

Product development, IP and regulatory

Cancer diagnostics

ONCOtopix® Dx is a unique and patent protected product that solves key problems within cancer diagnostics: 1) Improving standardization and accuracy of digitized tissue-based assay, which it required for optimal treatment planning and patient care, and 2) Enabling assessment of new and complex diagnostic biomarkers in the tumor micro-environment, which is a pre-requisite for identifying responders to new and promising immunotherapies and 3) increased automation and productivity which addresses an increasing demand for improved turnaround times and a lack of specialized pathologists.

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.

[6] Press-release November 17, 2020

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Achievements in FY2020-21

New strategic product: In 2020/21 Visiopharm completed the development of Qualitopix® prototype, which is currently undergoing rigorous testing with leading institutions. The stain quality management platform has provided valuable input to our testing partners, driving adjustments in the lab resulting in improved staining quality. The first orders are closed ahead of commercial launch in FY2021-22.

Scientific Advisory Board: It is essential for Visiopharm to maintain a competitive and innovative product pipeline that meets the needs of customers, and in 2020/21 a Scientific Advisory Board has been established, chaired by Ralf Huss M.D., Ph.D., certified Pathologist, Professor of Pathology, and Managing Deputy Director of Pathology and Molecular Diagnostics at the University Hospital in Augsburg, Germany. The SAB is composed of ten additional luminaries that have extensive industry experience and bring world-class international expertise[7].

Diagnostic content partnership: The newly established partnership between Visiopharm and Agilent resulted in a successful development and release for IVD of a decision support APP for Agilent's Next Generation HER2 assay for the Omnis stainer platform.

New patents: During 2020/21 a scalable method for labelling histopathological images and training deep learning models were patented in EU (EP3639191). The patent is pending in US and other jurisdictions[8].

Organizational development

In 2020/21 the company onboarded 26 new employees

[7] Press-release, October 6, 2020

[8] Press-release, September 23, 2021

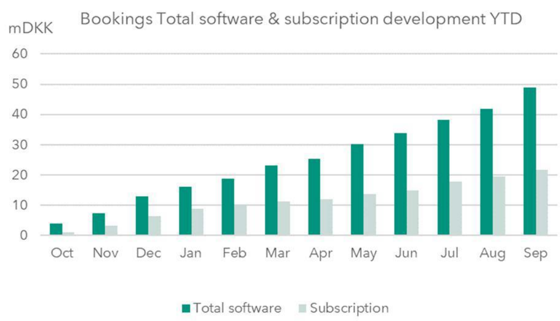
Visiopharm believes in diversity in teams leading to better innovation, performance, and decisions. In 2021 the gender composition was 38% female/62% male.

Regulatory achievements: Visiopharm has strengthened the regulatory team by onboarding a Chief Regulatory Officer for the purpose of establishing a center of RCQ excellence to accelerate bringing safe and efficient products according to regulations, and achieved a number of important milestones:

- The transition from CE-IVD to IVD-R is a major undertaking for most companies. Visiopharm has submitted the technical documentation and expect to fully transition ahead of May 26, 2022.Visiopharm has utilized the possibility to pre-submit to the U.S. Food and Drug Administration for advice in the general architecture, which have brought valuable feedback in the further regulatory activities.
- The ISO 13485 audit during the year was passed and ensure Visiopharm to meet the comprehensive requirements for quality management system. Adopting and compliance to ISO 13485 provides a foundation to address regulations and responsibilities as well as demonstrating a commitment to the safety and quality of Visiopharms products.

Development in financial activities and affairs

2020/21 has been a year where Visiopharm, its customers and employees has been faced with uncertainty and unpredictability due to the Pandemic. The Covid-19 has in particular impacted engagement with new customers, and most sales has been to our existing and loyal customer base.



Revenues grew from mDKK 84.3 in FY 2019-20 to mDKK 108.5, or 30% which is according to plan.

Gross Profit grew from mDKK 64.7 in FY2019-20 to mDKK 67.0, corresponding to ~4%. Gross profit is impacted by a less favourable product mix.

The company continues to execute on its objective of offering its software as a **S**oftware-**a**s-**a**-**S**ervice, thus increasing its recurring revenue stream. In FY2020-21, approximately 25% of booked gross profit was entered into on subscription contracts. This is an encouraging result, although it impacts the recognition of gross revenue compared to previous years. The transition into subscription revenues continue to be an important strategic shift for Visiopharm, and we note that this shift has generally been well received by the market.

Outlook

Revenues: The markets are slowly recovering from Covid-19, but there are significant differences among the different countries and regions. Potential relapse of the pandemic is a source of uncertainty. Therefore, it is increasing difficult to estimate revenue growth. For the coming fiscal year, management expects revenue growth in the range of 10%-20%.

EBITDA: For the coming year Visiopharm plan to continue investing in building sales channel, developing an even stronger product offering and improving supporting functions. Expectations are that this will result in a negative result on the financial statement with an EBITDA in range of minus 20-25 mDKK. The expected payoffs from both investing in sales channels, product development and more efficient support functions is that the company will move to a positive EBITDA within a 2–3-year period.

Revenue quality: Visiopharm strive to continue the successful transition from perpetual to subscription software sales and grow annual recurring revenue to >MDKK 50.

Product development and roadmap:

Visiopharm continues to invest in the product pipeline, which include the following activities:

- Launch of the Qualitopix Stain Quality Management platform: Achieving an active userbase of least 50 diagnostic pathology labs.
- Achieve IVD-R clearance of the panel of APPs currently being market for breast cancer diagnosis
- Develop Next Generation APPs for two important companion diagnostic biomarkers (confidential) as part of a collaboration with our strategic partnership with Agilent, including submission for IVD-R clearance to our notified body.

Organizational development: An additional 33 recruitments are planned in 2021/22.

Risk management

Commercial and pervasive

Risks	Descriptions and mitigating actions
Non-compliance with legislation and industry standards	We are subject to regulatory and legislative obligations to conduct business. These requirements are subject to change and if we do not remain abreast of the regulations and actively work to comply, we are at risk of either losing or not obtaining required approvals or we may receive penalties, fines, or suspension of our approvals or registrations. There is also a risk that cybersecurity attacks could compromise data privacy or cause interruption to our operations. Our business operations as well as current and future relationships with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to substantial penalties. To mitigate regulatory risks, and position Visiopharm for entry into new territories, significant investments have been made in creating and expanding a RCQ team under the management of our Chief Regulatory Officer. The purpose of our RCQ team is to bring new diagnostic products to patients while ensuring delivery of safe, effective products in accordance with regulations. We

Risks	Descriptions and mitigating actions
	have implemented new IT-security procedures to reduce the risk of cybercrime. We have internal training requirements for all employees and contracting external suppliers, we ensure they have adequate measures in place to comply with relevant regulatory requirements.
Slide Scanners and component crisis	The component crisis the world is currently experiencing across industries, is also becoming a serious challenge in the context of delivering slide scanners. This could potentially have a significant impact on top-line revenue growth, while much less of gross-profit. There is very little we can do to mitigate the commercial risks associated with the component crisis. Therefore, we have incorporated the risk in our guidance for top-line revenue growth.
Attraction and retention of talent	Successful execution of our business plan for FY2021-22 depends on attracting, onboarding, and retaining top-talent across existing and new functions. The job market is generally highly competitive across most industries. Failure in these areas could have a material adverse effect on both commercial and strategic goals. We believe Visiopharm has a good reputation in the market for being an attractive workplace, underpinned by high ethical standards. We are committed to maintaining a working environment that is diverse, free of discrimination, harassment, and bullying. We have established initiatives that provide opportunities for personal and professional development, improved health-wellbeing, work-life flexibility, and a participation in the overall success of Visiopharm through our long-term incentive plans.

Financial

Due to its operations in multiple countries, investments and financing, the company is exposed to financial risks. The company uses financial instruments to manage these risks. The company's policy is not to speculate actively in financial risks.

Financial Risks	Comment
Price Risks	The company has very limited exposure on price increases on product. Sales of hardware is order under fixed price agreements at the time of sale and software is own developed.
Foreign currency risks	Currency risk for USD, EUR, GBP and SEK is very limited as described in note 21. Furthermore, the company is setup with local subsidiaries paying salaries for sales and delivery employees in local currencies as well, moving any exchange risk from revenue to profit.
Interest rate risks	The company is not very sensitive to interest rate changes, as the majority of the cost is salaries for the employees not affected from interest rate changes.
Credit risks	Customer portfolio is very diverse spread across geographies and customers. The customers purchasing the products are mainly biopharma, academia and the public sector. All segments have strong credit ratings and historically the company has had very limited loss on debtors. Overall, the credit risk is estimated to be very low.

See note 21 for specification of the financial risks.

Management estimates and uncertaincies

The annual report contains two significant management estimates.

Management estimate	Comment
Cash settled stock-based program	The company offers a stock-based cash settled program to key employees. Since Visiopharm is still a privately held company, the valuation of the shares includes some degree of uncertainty and represent the managements best estimate of fair value.
Deferred Tax asset	Visiopharm expect to utilize the deferred tax assets within a 5-year period. This is based on the board approved business plan than is based on a continued growth of revenue, and conversion to more profitable recurring software sale.

External environment and social responsibilities

Developing software and devices for improving cancer- research and diagnostics, with the potential to improve patient outcomes and lower healthcare costs, is something that motivates and drives the entire organization.

As the main activities of the company have a very limited impact on the external environment, the focus of the company is improving patient treatment and through this have a positive impact on the surrounding society.

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Profit/loss

Figures in DKK '000	2020/21	2019/20	2018/19	2017/18	2016/17
Revenue	108,495	84,262	87,920	56,256	62,451
Index (2016/17)	*174*	*135*	*141*	*90*	*100*
Gross Profit I	66,864	64,713	55,856	38,012	40,101
Gross profit I margin	*62%*	*77%*	*64%*	*68%*	*64%*
Gross Profit II	45,278	44,546	33,672	22,221	26,786
Gross profit II margin	*42%*	*53%*	*38%*	*40%*	*43%*
Profit/loss before depreciation, amortization, write downs and impairment losses (EBITDA)	-38,464	-21,186	-18,943	-9,340	4,374
EBITDA margin	*-35%*	*-24%*	*-22%*	*-17%*	*7%*
Profit/loss before net financials (EBIT)	-46,223	-29,106	-23,746	-13,428	-285
EBIT margin	-43%	*-38%*	*-27%*	*-24%*	*0%*
Profit/loss before tax (EBT)	-46,735	-31,746	-23,746	-13,428	-285
EBT margin	-43%	*-38%*	*-27%*	*-24%*	*0%*
Profit/loss for the year	-41,341	-26,308	-21,686	-21,961	-351

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Balance sheet

Figures in DKK '000	2020/21	2019/20	2018/19	2017/18	2016/17
Total assets	133,560	154,187	115,483	127,659	49,845
Index (2016/17)	268	*309*	*232*	*256*	*100*
Investments in other fixtures, fittings tools and equipment	605	461	677	152	183
Index (2016/17)	331	252	670	*83*	100
Equity	59,406	100,466	77,115	99,323	21,683
Index	274	*463*	*356*	*458*	*100*

Cash Flow

Figures in DKK '000	2020/21	2019/20	2018/19	2017/18	2016/17
Total assets	133,560	154,187	115,483	127,659	49,845
Index (2016/17)	268	*309*	*232*	*256*	*100*
Investments in other fixtures, fittings tools and equipment	605	461	677	152	183
Index (2016/17)	331	252	670	*83*	100

VISIO PHARM®

Ratios

Figures in DKK '000	2020/21	2019/20	2018/19	2017/18	2016/17
Return on equity	-52%	-30%	-25%	-20%	-2%
Assets turnover	0,75	0,62	0,72	0,63	1,78
Equity interest	44%	65%	67%	78%	44%
Number of employees (average)	86	81	73	44	37

Ratios definitions

Return on equity:	Profit/loss for the year x 100 / Average equity	EBIT margin:	EBIT x 100 / Revenue
Gross margin I:	Gross profit I x 100 / Revenue	EBT margin:	EBT x 100 / Revenue
Gross margin II:	Gross profit II x 100 / Revenue	Assets turnover:	Revenue / Average total assets
EBITDA margin:	EBITDA x 100 / Revenue	Equity interest:	Equity, end of year x 100 / Total assets

Development in important KPI's

The financial numbers are influenced significantly on operating expenses from increased obligation to the cash settled stock option program (additional cost of mDKK 13 in 2020/21 financial year). When the value of the company increases so does the obligation. Visiopharm owns shares to cover the obligation, so the obligation will have no liquidity effect

Treasury shares

Treasury shares	Cost DKK	Quantity	Nominal Value DKK
Holding of treasury shares as of 01.10.20	9,645,743	47,984	47,984
Total as at 30.09.21	9,645,743	47,984	47,984

Treasury shares are purchased for use as share-based payment.

The calculated fair value and subsequent compensation expenses for share-based compensation is subject to significant assumptions and estimates. The share price is estimated based on analysis of the valuation of peer companies in the market. The value is estimated to be the fair market value of the company.

On 22 June 2018, the company took over the obligation of a partner bonus pool agreement to employees. The obligation was settled by receiving treasury shares of nominal 33,894 shares. The calculated fair value and subsequent compensation expenses for share-based compensation under the Partner bonus pool agreement are subject to significant assumptions and estimates. The carrying amount of the liability at 30 September 2021 was DKK 20,854k (2020: DKK 7,835k). The share price is estimated based on analysis of the valuation of peer companies in the market.

Important events occurring after the end of the financial year

No significant financial events have occurred in the period after September 30, 2021.

Consolidated income statement and statement of comprehensive income

Note		2020/21 DKK '000	2019/20 DKK '000
3	**Revenue**	**108,495**	**84,262**
4	Other operating income	0	593
	Cost of raw materials and consumables	-41,633	-20,142
	Gross profit I	**66,862**	**64,713**
	Other external expenses	-21,584	-20,167
	Gross profit II	**45,278**	**44,546**
5	Staff costs	-83,742	-64,732
	Profit/loss before depreciation, amortization, write downs and impairment losses (EBITDA)	**-38,464**	**-20,186**
	Depreciation, amortization, write downs and impairment losses of property, plant and equipment and intangible assets	-7,759	-8,920
	Profit/loss before net financials (EBIT)	**-46,223**	**-29,106**
8	Financial income	577	35
9	Financial expenses	-1,089	-2,675
	Profit/loss before tax (EBT)	**-46,735**	**-31,746**
10	Tax on profit/loss for the year	5,394	5,438
	Profit/loss for the year	**-41,341**	**-26,308**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations	-654	946
	Other comprehensive income for the year, net of tax	**-654**	**946**
	Total comprehensive income	**-41,995**	**-25,362**

Consolidated income statement and statement of comprehensive income

Note		2020/21 DKK '000	2019/20 DKK '000
	Profit attributable to:		
	Owners of the parent company	-41,341	-26,308
	Total	**-41,341**	**-26,308**
	Total comprehensive income attributable to:		
	Owners of the parent company	-41,995	-25,362
	Total	**-41,995**	**-25,362**

Consolidated balance sheet

ASSETS

Note		30/09/2021 DKK '000	30/09/2020 DKK '000
11	Completed development projects	14,796	12,624
11	Acquired rights	1,315	1,560
11	Goodwill	9,728	9,728
12	Other fixtures and fittings, tools and equipment	758	710
12	Right-of-use-assets	2,316	4,117
10	Deferred tax asset	9,753	5,486
	Deposits	490	377
	Total non-current assets	**39,156**	**34,602**
13	Inventories	202	1,401
14	Trade receivables	30,158	23,454
	Income tax receivable	3,539	1,995
	Other receivables	784	519
	Receivables from owners and management	0	750
	Prepayments	5,635	512
	Cash	54,086	90,954
	Total current assets	**94,404**	**119,585**
	Total assets	**133,560**	**154,187**

Consolidated balance sheet

EQUITY AND LIABILITIES

Note		30/09/2021 DKK '000	30/09/2020 DKK '000
15	Share capital	1,625	1,625
	Foreign currency translation reserve	-443	211
	Retained earnings	58,224	98,630
	Total equity	**59,406**	**100,466**
16	Payables to other credit institutions	1,196	3,172
	Lease liabilities	906	2,413
	Deferred income	2,131	1,875
	Total non-current liabilities	**4,233**	**7,460**
16	Payables to other credit institutions	2,088	1,936
	Lease liabilities	1,625	1,885
	Prepayments received from customers	1,547	1,728
	Trade payables	13,342	6,003
	Other payables	32,026	24,019
	Deferred income	19,293	10,690
	Total current liabilities	**69,921**	**46,261**
	Total liabilities	**74,154**	**53,721**
	Total equity and liabilities	**133,560**	**154,187**

Consolidated statement of changes in equity

Amounts in DKK '000	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
Statement of changes in equity 01/10/2019 – 30/09/2020					
Equity as at 01/10/2019	1,409	0	76,441	-735	77,115
Net loss for the year	0	0	-26,308	0	-26,308
Other comprehensive income	0	0	0	946	946
Comprehensive income	1,409	0	50,133	211	51,753
Capital increase	216	49,783	0	0	49,999
Purchase of treasury shares	0	0	-2,832	0	-2,832
Transfer to/from other reserves	0	-49,783	49,783	0	0
Share-based payment	0	0	1,546	0	1,546
Transactions with owners	216	0	48,497	0	48,713
Equity as at 30/09/2020	1,625	0	98,630	211	100,466
Statement of changes in equity 01/10/2020 – 30/09/2021					
Equity as at 01/10/2020	1,625	0	98,630	211	100,466
Net loss for the year	0	0	-41,341	0	-41,341
Other comprehensive income	0	0	0	-654	-654
Comprehensive income	1,625	0	57,289	-443	58,471
Share-based payment	0	0	935	0	935
Transactions with owners	0	0	935	0	935
Equity as at 30/09/2021	1,625	0	58,224	-443	59,406

Consolidated cash flow statement

Note		2020/21 DKK '000	2019/20 DKK '000
	Profit/loss before tax	**-46,735**	**-31,746**
19	Adjustment for non-cash items	8,040	11,412
	Financial income, reversed	-577	-35
	Financial expenses, reversed	1,089	2,675
20	Change in working capital	13,882	9,309
	Cash flows from operating activities before net financials	**-24,301**	**-8,385**
	Financial income received	577	35
	Financial expenses paid	-1,089	-2,675
	Income tax paid/received	-416	1,586
	Cash flows from operating activities	**-25,229**	**-9,439**
	Purchase of intangible assets	-7,203	-6,121
	Purchase of other fixtures and fittings, tools and equipment	-605	-461
	Deposits paid	-113	54
	Cash flows from investing activities	**-7,921**	**-6,528**
	Cash capital increase	0	49,999
	Purchase of treasury shares	0	-2,832
21	Repayment of credit institutions	-1,824	-1,522
21	Lease liabilities	-1,894	-1,785
	Cash flows from financing activities	**-3,718**	**43,860**
	Total cash flows for the year	**-36,868**	**27,893**
	Cash, beginning of year	90,954	63,061
	Cash, end of year	**54,086**	**90,954**

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1. Accounting policies

Visiopharm A/S is a limited liability company domiciled in Denmark. The consolidated financial statements for 2020/21 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of class C for medium-sizes companies.

Danish kroner (DKK) is the group's presentation currency and the functional currency of the parent company. The consolidated financial statements are presented in Danish kroner (DKK) rounded off to the nearest DKK 1,000.

New financial reporting requirements

The Group has implemented the latest amendments to International Financial Reporting Standards effective as of October 1, 2020 as adopted by the European Union. None of the amendments have had any material impact on the Group’s financial statements.

Consolidated financial statements

The consolidated financial statements comprise Visiopharm A/S (parent company) and the companies (subsidiaries) controlled by the parent company. A company is regarded as controlled by the parent company when the parent company is exposed or entitled to variable returns on its involvement in the company, and has the ability to affect those returns through its power over the company.

The consolidated financial statements are prepared based on the financial statements of Visiopharm A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature calculated in accordance with the group's accounting policies, eliminating intercompany income and expenditure, intercompany balances and dividends as well as gains and losses on transactions between the consolidated companies.

Refer to Group information and Group chart for information on the name, registered office and legal form for the subsidiaries.

Alternative performance measures (APMs)

The consolidated financial statements refers to certain key performance indicators, which Visiopharm and others use when evaluating the performance of Visiopharm. These are referred to as alternative performance measures (APMs) and are not defined under IFRS. The figures give management and investors important information to enable them to fully analyze the Visiopharm business and trends. The APMs are not meant to replace but to complement the performance measures defined under IFRS. Refer to definitions on page 13.

1. Accounting policies – continued –

Business combinations

Newly acquired or newly founded companies are recognized in the consolidated financial statements as from the time of acquisition and the time of foundation, respectively. The time of acquisition is the time at which control of the company is actually obtained. Divested or discontinued companies are recognized in the consolidated statement of comprehensive income up until the time when control ceases.

When new companies are acquired and the group obtains control of an acquired company, it is recognized in accordance with the acquisition method, according to which the newly acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

The acquisition price of a company is the fair value of the price paid for the acquired company. Expenses relating to the acquisition are recognized in the income statement when paid.

Positive differences (goodwill) between the acquisition price of the acquired company on the one hand and the fair value of the assets, liabilities and contingent liabilities acquired on the other are recognized as goodwill and tested for impairment at least once a year.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency of the individual company are recognized at the exchange rate applicable at the transaction date. Receivables, payables and other monetary items denominated in foreign currency not settled at the balance sheet date are translated using the exchange rate applicable at the balance sheet date.

Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment and the balance sheet date, respectively, are recognized in the income statement as net financials. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currency and measured based on historical cost are translated at the exchange rate applicable at the transaction date.

1. Accounting policies – continued **–**

Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1. Accounting policies – continued –

The Group presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Grants

Grants are recognized when the conditions for receipt are met and there is reasonable assurance that the grant will be received.

Grants that are receivable as compensation for expenses are recognized in profit or loss as other operating income in the period in which they become receivable.

Tax

Tax for the year, consisting of current tax and changes in deferred tax, is recognized in the income statement with the portion attributable to tax on the profit or loss for the year, and directly in equity or in other comprehensive income with the portion attributable to amounts recognized directly in equity or in other comprehensive income, respectively.

Current tax payables and receivables are recognized in the balance sheet as tax computed on the basis of the taxable income for the year and taxes paid or refunded.

Current tax for the year is computed based on the tax rules and tax rates applicable at the balance sheet date.

Deferred tax is recognized using the balance sheet liability method on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences due to either initial recognition of goodwill or initial recognition of a transaction that is not a business combination, and where the temporary difference ascertained at the time of initial recognition does not affect either the tax results or the taxable income. The deferred tax is calculated based on the planned use of the individual asset or settlement of the individual liability.

Deferred tax is measured applying the tax rules and tax rates expected to be applicable when the deferred tax is expected to crystallize as current tax. Any change in deferred tax as a result of changes in tax rules or rates is recognized in the income statement, unless the deferred tax

1. Accounting policies – continued –

is attributable to transactions that have previously been recognized directly in equity or in other comprehensive income. In the latter case, the change is recognized directly in equity or in other comprehensive income, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognized in the balance sheet at the expected realizable value, either through offsetting against deferred tax liabilities or as a net tax asset for offsetting against future positive taxable incomes. An assessment is made on each balance sheet date of whether it is probable that sufficient taxable income will be generated in future to enable utilization of the deferred tax asset.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue is mainly derived from fees charged for software licenses, software subscription, hardware and service fees. Revenue recognition requires an agreement with the customer which creates enforceable rights and obligations between the parties, has commercial substance, and identifies payment terms. In addition, it must be probable that the consideration determined in the contract will be collected.

Revenue is recognized when the customer has obtained control of the licenses, goods or services and has the ability to use and obtain substantially all the benefits from the licenses, goods or services. For multi-element contracts, the basis for revenue recognition is an assessment of the standalone selling prices for the identified performance obligations, including rebates, discounts, allowances, and inherent interest. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct goods or services.

Software licenses
Standard software licenses provide customers with the right to use the software. The customer obtains control of the license when all of the following criteria are met: a binding contract is entered into; the license is delivered; and the customer has the right to use it. License revenue is therefore generally recognized at that point-in-time. When the contract requires customer acceptance of functionality, the revenue recognition will be deferred until the time of acceptance or delivery.

The right to use software license is considered a separate performance obligation when it satisfies the following conditions: can be delivered separately from other services, can be installed by a third party, can be used without upgrades, and is functional without upgrades or support.

1. Accounting policies – continued –

Software subscription
Software subscription services include the initial software license, software updates and support fees. The software license and the updates are considered highly interrelated and the promise to grant the license is not distinct within the context of the contract. Performance obligations include: unspecified future upgrades, maintenance, and support. Revenue from software subscription services is recognized on a straight-line basis over the contract period.

Hardware
Revenue from sale of hardware is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the equipment at the customer's location.

Services fees
Contractual Research, installation, support, training and other services is recognized when the services have been delivered.

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 recognized under raw materials and consumables.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts.

Staff costs

Staff expenses comprise wages and salaries as well as social security expenses, pensions for group staff, other staff-related expenses and share-based payment compensation.

Share-based payments

Cash-settled share-based payments
Cash-settled share-based payments of the Group are granted to employees. The share price is estimated based on analysis of the valuation of peer companies in the market.

1. Accounting policies – continued –

On average Peer companies trade at a multiple of 18-20 times the recognized revenue. Visiopharm is not a publicly traded company and have a slightly different product mix than the peer companies, so multiples for Visiopharm are currently estimated lower and in range of 8-10 times the recognized revenue. This is in the management's opinion the best estimate of the fair market value of the company.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement. Changes in fair value is recognized in profit or loss for the period.

Equity-settled share-based payments
Equity-settled share-based payments of the Group are share options granted to external consultants, for which the Black-Scholes pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the consolidated statement of profit or loss over the period that the consultants becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

Equity is also increased by the proceeds received, as and when consultants choose to exercise their options.

Net financials

Net financials comprise interest income and expenses as well as realized and unrealized gains and losses on transactions in foreign currency.

Amortization of capital losses and borrowing costs relating to financial liabilities is recognized on an ongoing basis as part of the interest expenses.

BALANCE SHEET

Capitalized development projects

Completed development costs comprise staff expenses and fees for subsuppliers directly attributable to the development projects. Indirect costs is not capitalized. Development projects which are clearly defined and whose technical feasibility and sufficiency of resources have been demonstrated and which the company intends to complete and market are recognized as development projects in the balance sheet if the cost can be determined reliably and there is sufficient certainty that the future earnings will cover the development costs. Recognized development projects are measured at cost less accumulated amortization and impairment losses.

1. Accounting policies – continued –

Other development costs are recognized in the income statement under other external expenses or staff expenses.

Once completed, development projects are amortized according to the straight-line method over their estimated useful lives from the time when the asset is ready for use. Development projects are regarded as being ready for use at the time when the new applications/features are released in the software licenses available for sale. The amortization period is usually 5 years. Amortization methods and useful lives are reviewed every year.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortization and impairment losses.

Acquired rights are amortized according to the straight-line method over their estimated useful lives. The amortization period is usually 5 years with no residual value. Amortization methods and useful lives are reviewed every year.

Goodwill

On initial recognition, goodwill is recognized and measured as the difference between the cost of the acquired company and the fair value of the assets, liabilities and contingent liabilities acquired, see the description in the section on business combinations.

On initial recognition, goodwill is allocated to the group activities that generate independent cash flows (cash-generating units). The distribution on cash-generating units follows the management structure and the group's internal financial management.

Goodwill is not amortized, but is tested for impairment at least once a year.

Other fixtures and fittings, tools and equipment

Other fixtures and fittings, tools and equipment are measured in the balance sheet at the lower of cost less accumulated depreciation and recoverable amount.

Cost comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use. The depreciation period is usually 3-5 years with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

1. Accounting policies – continued –

Gains and losses on the disposal of other fixtures and fittings, tools and equipment are recognized in the income statement as other operating income or other operating expenses, respectively.

Non-current financial assets

Other receivables recognized under non-current assets comprise deposits and are measured at the lower of accumulated cost and recoverable amount.

Impairment of assets (impairment test)

The carrying amount of intangible assets with determinable useful lives are tested for impairment every year. If indications of impairment are found, the recoverable amount of the asset is calculated to determine the need to write down for impairment and the amount of such impairment loss, if relevant.

The recoverable amount of development projects in progress and goodwill are determined every year, regardless of whether any indications of impairment exists.

If an asset does not produce inflows independently of other assets, the recoverable amount is determined for the smallest cash-generating unit of which the asset forms part.

The higher of fair value less selling costs and value in use is used as the recoverable amount of the asset. The value is use is determined as the present value of the expected net cash flows from use of the asset. If the recoverable amount of the asset is lower than the carrying amount, the carrying amount is written down to the recoverable amount.

In so far as cash-generating units are concerned, the impairment loss is distributed in such a way that goodwill is written down for impairment first, and subsequently any remaining need for impairment is distributed on the other assets in the unit. However, individual assets cannot be written down to a value lower than their fair value less expected selling costs. Impairment losses are recognized in the income statement.

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 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.

1. Accounting policies – continued –

Trade receivables and other receivables

Receivables that do not contain a significant financing component are measured at the transaction price less provisions for bad debts. Provisions for bad debts are made based on an individual assessment of the receivables concerned.

Prepayments

Prepayments recognized under assets comprise costs incurred in respect of the subsequent financial year. Prepayments are measured at cost.

Cash

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

Equity

Direct and incremental costs associated with capital increases are accounted for as a reduction in the proceeds from the capital increase and recognized in shareholders' equity.

The translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of Group entities from their local foreign currencies to the presentation currency used by the Group (DKK). On the disposal, entirely or partially, of a Group entity, the exchange-rate adjustment is recognized in profit or loss as a portion of the gain/loss on the sale.

Liabilities

Non-current liabilities comprise other credit institutions and other non-current liabilities. Payables to credit institutions are measured at cost at the time of contracting such payables (raising of loans). Subsequently, the liabilities are measured at amortized cost, meaning that the difference between the proceeds from the loan and the repayable amount is recognized in the income statement over the period of the loan as a financial expense according to the effective interest method.

Other financial liabilities comprise bank debt, trade payables, other payables to public authorities and other liabilities. On initial recognition, other financial liabilities are measured at fair value less any transaction costs. Subsequently, the liabilities are measured at amortized cost according to the effective interest method, so that the difference between the proceeds and

1. Accounting policies – continued –

the nominal value is recognized in the income statement as a financial expense over the period of the loan.

Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent financial years. Prepayments received from customers are measured at cost.

Deferred income

Deferred income under liabilities comprises payments received in respect of revenue in subsequent financial years. Deferred income are measured at cost.

CASH FLOW STATEMENT

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash at the beginning and end of the year. Cash flows from operating activities are presented in accordance with the indirect method and are determined as the operating profit or loss adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and income tax.

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

Cash flows from financing activities comprise changes in the parent company's share capital and associated costs as well as the raising and repayment of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividends.

Cash flows in currencies other than the functional currency are recognized in the cash flow statement using average exchange rates, unless they deviate significantly from the actual exchange rates at the transaction dates.

Cash and cash equivalents comprise cash less overdraft facilities that are an integrated part of the cash management.

2. Significant accounting estimates and assessments

In connection with the preparation of the consolidated financial statements, the management makes a number of accounting estimates and assessments that affect the recognized values of assets, liabilities, income, expenses and cash flows as well as their presentation.

Accounting estimates reflect the management's best estimates in terms of amounts where the measurement is subject to uncertainty, typically because the estimate is based on assumptions concerning future events. The accounting estimates are based on historical experience and other assumptions deemed relevant, but the actual results may, naturally, deviate from the estimates made. The estimates are regularly reassessed, and the effect of changes is recognized in the consolidated financial statements.

Accounting judgements reflect decisions made by the management as to how the accounting policies are applied in specific situations where the accounting treatment depends on qualitative assessments. Examples could be when the risk passes or how a certain transaction or item is best presented to provide reliable and relevant information.

The following accounting estimates and judgements have had significant impact on the consolidated financial statements for 2020/21:

Valuation of Partner bonus pool agreement (cash-settled share based payment)

The share price is estimated based on analysis of the valuation of peer companies in the market.

On average Peer companies trade at a multiple of 18-20 times the recognized revenue. Visiopharm is not a publicly traded company and have a slightly different product mix than the peer companies, so multiples for Visiopharm are currently estimated lower and in range of 8-10 times the recognized revenue. The main uncertainties can be classifying in 2 areas:

1. That the multiplies on peer group will decrease prior to the execution of the settlement of the cash settled share-based payments. Because the company is expecting to continue growing revenues any future drop in multiples for Peer companies would be offset against higher revenues in the company.

2. What would the multiples be for Visiopharm. As for all non-public traded shares, the estimated share price is associated with a certain amount of risk. In order to limit this uncertainty Visiopharm has consulted external investment bankers and their initial conclusion is in line with our valuation.

This is in the management’s opinion the best estimate of the fair market value of the company.

2. Significant accounting estimates and assessments – continued –

Valuation of deferred tax assets

Deferred tax asset is primarily attributed to tax losses carried forward and are recognized when it is probable that they can be realized by offsetting them against future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized. Based on the latest business plan approved by the board of director it is deemed likely that future profits will offset the deferred tax asset (see note 10). The uncertainties related to the deferred tax assets is whether the company can deliver on the business plan goals. Expected growth rates are at the same level as what the company has historically delivered and are deemed realistic to continue to deliver.

The future earnings potential of the company is based on the 5-year business plan approved by the board. The company is expected to continue its growth revenues at the level as historically, but expects to see payoff on big investments in both sales channel, product development and back office efficiencies – that will move the company to a positive financial result.

Amortization of development projects

Management assesses that future revenue will offset the value of development projects presented in the balance sheet as of Sep. 30, 2021. This assessment is based on forecasts and budgets for the next five years, which are approved by the Board of Directors. The products included in development projects are an integrated part of Visiopharm's general software platform and Management assesses that it is unlikely that the products will be discontinued and taken off the market. Product amortization methods and useful lives are reviewed at least once a year.

Impairment test

For use in connection with the impairment test, the management has distributed property, plant and equipment and intangible assets on cash-generating units or groups of cash-generating units generating inflows which are largely independent of other assets or groups of assets. The distribution of assets on cash-generating units is described in note 11, which also disclose information of key assumptions for the determination of the recoverable amount of the cash-generating units.

	2020/21 DKK '000	2019/20 DKK '000

3. Revenue

Set out below is the disaggregation of the revenue from contract with customers:

	2020/21 DKK '000	2019/20 DKK '000
Type of goods or services		
Sale of software (perpetual licenses – right to use)	26,078	40,001
Subscription software (right to access)	17,220	10,415
Sale of hardware	51,581	23,637
Rendering of services	13,616	10,209
Total	108,495	84,262

	2020/21 DKK '000	2019/20 DKK '000
Geographical markets		
Nordics	46,385	32,795
UK & Ireland	18,684	10,081
Latin Europe	7,136	6,714
Germany, Austria & Switzerland	5,319	4,011
Americas	29,492	28,272
Rest of the world	1,479	2,389
Total	108,495	84,262

	2020/21 DKK '000	2019/20 DKK '000
Timing of revenue recognition		
Goods and services transferred at a point in time	81,549	72,763
Goods and services transferred over time	26,946	11,499
Total	108,495	84,262

3. Revenue – continued –

Liabilities related to contracts with customers

The group has no contract assets. The group has recognized the following liabilities related to contracts with customers:

	30/09/2021	30/09/2020	01/10/2019
Prepayments received from customers	1,547	1,728	1,054
Deferred income	19,293	10,690	4,841
Total current contract liabilities	20,840	12,418	5,895
Deferred income - non-current contract liabilities	2,131	1,875	299

Revenue recognized in 2020/21 that was included in the contract liabilities balance at the beginning of the period, comprise DKKK 12,418k (2019/20: DKK 5,895k).

Significant changes in contract liabilities

Deferred income has increased by DKK 8,859k (2019/20: DKK 7,425k) which is due to the continuous increase in contracts with customers regarding the subscription software (right to access).

	2020/21 DKK '000	2019/20 DKK '000
4. Other operating income		
Grants	0	593
Other operating income	0	0
Total	0	593

	2020/21 DKK '000	2019/20 DKK '000
5. Staff costs		
Wages and salaries	67,838	61,834
Share-based payment expense	13,019	1,022
Pensions	1,647	1,550
Other social security costs	3,459	3,332
Other staff costs	4,735	2,311
Total	90,698	70,049
Total staff costs are recognized as follows:		
Staff costs in the income statement	83,742	64,732
Development projects	6,956	5,317
Total	90,698	70,049
Average number of employees during the year	86	81
Compensation for key management personnel of the Group:		
Short-term employee benefits Executive Board	3,337	3,134
Post-employment benefits Executive Board	53	52
Total remuneration for the Executive Board	3,390	3,186
Remuneration for the Board of Directors	825	825

6. Share-based payments

Partner bonus pool agreement (cash-settled)

On 22 June 2018, the company took over the obligation of a partner bonus pool agreement to employees. The obligation was settled by receiving treasury shares of nominal 33,894 shares.

The employees are granted access to the partner bonus pool arrangement, which entitles them to receive a proportionate share of a total cash bonus of 2,09% of the sales proceeds if the Company is sold. The right to remuneration vested immediately upon granting. The liability for the remuneration is measured, initially and at the end of each reporting period until settled, at fair value. The calculated fair value and subsequent compensation expenses for share-based compensation under the Partner bonus pool agreement are subject to significant assumptions and estimates. The share price is estimated based on analysis of the valuation of peer companies in the market.

On average Peer companies trade at a multiple of 18-20 times the recognized revenue. Visiopharm is not a publicly traded company and have a slightly different product mix than the peer companies, so multiples for Visiopharm are currently estimated lower and in range of 8-10 times the recognized revenue. This is in the management's opinion the best estimate of the fair market value of the company.

The carrying amount of the liability at 30 September 2021 was DKK 20,854k (2020: DKK 7,835k). The share price is estimated based on analysis of the valuation of peer companies in the market. The value is estimated to be the fair market value of the company.

During 2020/21, the total charge to profit or loss amounted to DKK 13,019k (2019/20: DKK 1,022k) recognized as staff expenses.

Restricted stock units (equity-settled)

On January 24, 2020, restricted stock units (RSU) was granted to an external consultant. The RSUs will be converted into ordinary shares of Visiopharm A/S free of charge after the end of the vesting period. The RSUs was granted with a monthly vesting of 1/36 from February 24, 2020 until January 24, 2023, provided they remain within the Group's employment.

During 2020/21, the total charge to profit or loss amounted to DKK 935k (2019/20: DKK 1,546k) recognized as other external expenses.

6. Share-based payment – continued –

The table below summarizes the number of options that were outstanding, their weighted average exercise price (WAEP) as at September 30, as well as the movements during the period.

	2020/21		2019/20	
	Number	WAEP in DKK	Number	WAEP in DKK
Outstanding at October 1	14,089		0	-
Granted	0		14,089	0
Forfeited	0		0	-
Exercised	0		0	-
Expired	0		0	-
Outstanding at September 30	14,089		14,089	0
Exercisable at September 30	0		0	0

The weighted average remaining contractual life for the RSUs outstanding as at September 30, 2021 was 1.3 years (September 30, 2020 was 2,3 years).

The exercise prices for RSUs outstanding as at September 30, 2021 was DKK 0 (September 30, 2020 was DKK 0).

The weighted average fair value of RSUs granted in 2019/20 was DKK 201,02. No RSUs were granted in 2018/19 and 2020/21.

The estimate of the grant date fair value of each RSU is based on the share price at purchase of treasury share on 6 May 2020.

7. Research and development costs

Research and development costs that are not eligible for capitalization have been expensed in the period incurred (in 2020/21, this was DKK 0k (2019/20: DKK 0k)), and they are recognized in other external expenses and staff expenses.

	2020/21 DKK '000	2019/20 DKK '000

8. Financial income

Other interest income	0	5
Foreign currency translation adjustments	577	30
Total	577	35

9. Financial expenses

Other interest expenses	851	744
Interest expense on lease liabilities	238	342
Foreign currency translation adjustments	0	1,589
Total	1,089	2,675

	2020/21 DKK '000	2019/20 DKK '000

10. Tax

Tax on profit/loss for the year:

Current tax	-356	-56
Tax received under the tax credit scheme	1,530	1,191
Change in deferred tax	3,945	4,307
Adjustment of tax in respect of previous years	275	-4
Tax on profit/loss for the year (profit)	5,394	5,438

Reconciliation of effective tax rate:

Tax computed on the loss before tax at a tax rate of 22.0%	10,282	6,984
Tax value of non-deductible expenses	-14	-16
Value adjustment of deferred tax assets	-2,731	-1,250
Non-deductible share-based payment	-2,143	-280
Effective tax rate (11,5% /17,1%)	5,394	5,438

Deferred tax is made up as follows:

Amounts in DKK ‘000	30/09/2021	30/09/2020
Intangible assets	3,545	3,121
Property, plant and equipment	-160	-105
Liabilities	-1,063	-935
Tax losses carried forward	-12,075	-7,567
Total deferred tax	-9,753	-5,486

which is distributed as follows:

Deferred tax assets	-9,753	-5,486
Deferred tax liabilities	0	0
Total	-9,753	-5,486

Tax losses carried forward can be carried forward indefinitely. The Group’s non-capitalized tax assets amounts to DKK 8m (2019/20: DKK 5m).

10. Tax – continued –

As at 30 September 2021, the company has recognized a deferred tax asset of DKK 9,753k. Deferred tax asset is primarily attributed to tax losses carried forward and are recognized when it is probable that they can be realized by offsetting them against future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized. Based on the latest business plan approved by the board of director it is deemed likely that future profits will offset the deferred tax asset. Deferred tax has been provided at 22% corresponding to the current tax rate.

11. Intangible assets

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development Projects in progress	Total
Financial year 2020/21					
Cost as at 01/10/2020	29,819	4,632	9,728	0	44,179
Additions during the year	0	247	0	6,956	7,203
Transferred during the year	6,956	0	0	-6,956	0
Disposals during the year	-1,104	0	0	0	-1,104
Cost as at 30/09/2021	35,671	4,879	9,728	0	50,278
Amortization and impairment losses as at 01/10/2020	-17,195	-3,072	0	0	-20,267
Impairment losses during the year	0	0	0	0	0
Amortization during the year	-4,509	-492	0	0	-5,001
Disposals during the year	829	0	0	0	829
Amortization and impairment losses as at 30/09/2021	-20,875	-3,564	0	0	-24,439
Carrying amount as at 30/09/2021	14,796	1,315	9,728	0	25,839
Financial year 2019/20					
Cost as at 01/10/2019	24,402	3,928	9,728	0	38,058
Additions during the year	0	704	0	5,417	6,121
Transferred during the year	5,417	0	0	-5,417	0
Disposals during the year	0	0	0	0	0
Cost as at 30/09/2020	29,819	4,632	9,728	0	44,179
Amortization and impairment losses as at 01/10/2019	-11,122	-2,616	0	0	-13,738
Impairment losses during the year	0	0	0	0	0
Amortization during the year	-6,073	-456	0	0	-6,529
Disposals during the year	0	0	0	0	0
Amortization and impairment losses as at 30/09/2020	-17,195	-3,072	0	0	-20,267
Carrying amount as at 30/09/2020	12,624	1,560	9,728	0	23,912

Visiopharm is continuously developing digital pathology software for clinical and research use. Development projects include Visiopharm's general software platform and specific modules and apps for image analysis. The products are already released in the market: Research-use only products are released globally and clinical products are regulated and sold in the EU market. The company has issued a detailed procedure for activation of development projects, including criterias for activation and approval procedure for hours and cost.

11. Intangible assets – continued –

Software engineers are registering hours in time sheets, approved by the R&D Director. Cost for development projects include salaries to the company's software engineers. Development projects are amortized according to the straight-line method over their estimated useful lives from the time when the asset is ready for use. The amortization period is five years. Development projects are reviewed for impairment at least once a year. Management assesses that there is no indication of impairment of the value in the balance sheet as of Sep. 30, 2021. This assessment is based on Management budgets and forecasts for the next five years, which are approved by the Board of Directors.

Impairment test

Cash-generating units comprising goodwill are tested for impairment at least once a year and more frequently in case of indications of impairment.

The recoverable amount is determined at a calculated value in use based on budgets and prognoses for the coming 5 financial years.

Distribution of intangible assets on cash-generating units:

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Total
30/09/2021				
CGU, Visiopharm LRI AB	0	0	9,518	9,518
CGU, software	14,796	1,315	0	16,111
CGU, other	0	0	210	210
Total	14,796	1,315	9,728	25,839
30/09/2020				
CGU, Visiopharm LRI AB	0	0	9,518	9,518
CGU, software	12,624	1,560	0	14,184
CGU, other	0	0	210	210
Total	12,624	1,560	9,728	23,912

11. Intangible assets – continued –

Key assumptions for the determination of the recoverable amount of the cash-generating unit Visiopharm LRI AB are listed below. Management expectations for the cash-generating unit Visiopharm LRI AB:

	30/09/2021	30/09/2020
Revenue, yearly growth	0%	0%
Gross margin	35,60%	38,7%
Discount rate (pre tax)	10%	10%
Growth rate beyond budget periods	0%	0%

The management has assessed that reasonably probable changes in the key assumptions will not lead to impairment.

12. Property, plant and equipment

Amounts in DKK '000	Right-of-use assets	Other fixtures and fittings tools and equipment	Total
Financial year 2020/21			
Cost as at 01/10/2020	6,083	4,512	10,595
Additions during the year	127	605	732
Disposals during the year	0	-3,207	-3,207
Cost as at 30/09/2021	6,210	1,910	8,120
Depreciation and impairment losses as at 01/10/2020	-1,966	-3,802	-5,768
Foreign currency translation adjustment of foreign enterprises	0	-1	-1
Depreciation during the year	-1,928	-556	-2,484
Disposals during the year	0	3,207	3,207
Depreciation and impairment losses as at 30/09/2021	-3,894	-1,152	-5,046
Carrying amount as at 30/09/2021	2,316	758	3,074
Financial year 2019/20			
Cost as at 01/10/2019	0	4,051	4,051
Adoptions of IFRS 16	6,083	0	6,083
Additions	0	461	461
Cost as at 30/09/2020	6,083	4,512	10,595
Depreciation and impairment losses as at 01/10/2019	0	-3,377	-3,377
Depreciation	-1,966	-425	-2,391
Depreciation and impairment losses as at 30/09/2020	-1,966	-3,802	-5,768
Carrying amount as at 30/09/2020	4,117	710	4,827

12. Property, plant and equipment – continued –

Right-of-use assets

The Group leases buildings and IT equipment.

Amounts recognized in profit and loss:

	2020/21 DKK '000	2019/20 DKK '000
Depreciation expense on right-of-use assets	1,928	1,966
Interest expense on lease liabilities	238	342
Expense relating to short-term leases	184	140

The total cash outflow for leases amount to DKK 2,316 thousand in 2020/21. (2019/20: DKK 2,266k)

	30/09/2021 DKK '000	30/09/2020 DKK '000

13. Inventories

Raw materials	0	0
Work in progress	0	0
Finished goods	202	1,401
Total	202	1,401

The amount of inventories recognized as an expense during the period amounted to DKK 41,633k (2019/20: DKK 20,142k)

Write down of inventories recognized as an expense during the period amounted to DKK 0k (2019/20: DKK 0k)

	30/09/2021 DKK '000	30/09/2020 DKK '000

14. Trade receivables

Gross receivable	30,158	23,671
Provision for losses	0	-217
Total	30,158	23,454

The standard credit period on sales is 30 days. Part of trade receivables are overdue, as customers comprise universities, hospitals and major research companies having longer payment procedures. Based on historical experience the group has had no material losses. As of 30 September 2021 DKK 6,876k was overdue (2020: DKK 14,989k).

There is no material difference between the fair value of receivables and their carrying amount.

15. Equity

Share capital

The company's share capital consists of 1,625,252 shares of DKK 1 each (30.09.20: 1,625,252 shares of DKK 1 each). The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights at 30/09/21.

Shares issued and fully paid:

	2020/21	2019/20
Shares issued, 01/10	1,625,252	1,408,965
Cash capital increase on 01/07/2020	0	216,287
Shares issued, 30/09	1,625,252	1,625,252

Treasury shares

The group's holding of treasury shares, nominally DKK 47,984, corresponds to 2,95% of the parent company's share capital.

Capital management

The group aims to ensure structural and financial flexibility as well as competitive strength. For that purpose, the group regularly assesses what the appropriate capital structure for the group is.

Dividend

It is proposed that no dividend be paid.

16. Payables to credit institutions

Amounts in DKK '000	Currency	Term to maturity	Interest	Carrying amount	Fair value
Credit institutions	DKK	1,25 years	4,50%	962	962
Credit institutions	DKK	2,00 years	5,84%	2,322	2,322
Total as at 30/09/2021				3,284	3,284

Methods and assumptions for the determination of fair value

Floating-rate payables to credit institutions are measured at nominal value.

17. Contingent liabilities

Guarantee commitments

The company has provided a guarantee of DKK 6,276k as security for payment for deliveries to customers.

18. Security provided

As security for debt to credit institutions of DKK 3,349k, a company charge of DKK 12,000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 57,677k.

	2020/21 DKK '000	2019/20 DKK '000

19. Adjustment for non-cash items

	2020/21 DKK '000	2019/20 DKK '000
Depreciation, amortization, impairment losses and write-downs	7,759	8,920
Other adjustments	281	2,492
Total	8,040	11,412

20. Change in working capital

	2020/21 DKK '000	2019/20 DKK '000
Change in inventories	1,199	-404
Change in receivables	-11,341	-2,863
Change in trade payables	7,339	-6,230
Change in other payables	16,685	18,806
Total	13,882	9,309

21. Liabilities arising from financing activities

Amounts in DKK '000	Payables to other credit institutions	Lease liabilities	Total
Liabilities at 1 October 2020	5,108	4,298	9,406
Loans raised	0	127	127
Repayments	-2,106	-1,894	-4,000
Accrued interest	282	0	282
Liabilities at 31 September 2021	3,284	2,531	5,815

22. Financial risks and financial instruments

Risk management policy

The group's financial risks are managed by the Executive Board. The group has not prepared particular policies for the identification and handling of risks. The management of the group's risks is included in the Executive Board's day-to-day monitoring of the group.

Interest rate risk

The group is not subject to material interest rate risks.

Currency risk

Since the Group operates internationally, it is exposed to foreign currency risk as part of its normal industrial and commercial business. In particular, the Group is significantly exposed to USD, GBP and SEK risk due to the large value of sales made in the United States, United Kingdom and Sweden. As of 30 September 2021, the group had no hedging activities.

Financial assets by currency

Financial assets as at 30 September are analysed by currency as follows:

Amounts in DKK '000	Trade receivables	Cash	Total
As at 30/09/2021			
USD	10,255	3,628	13,883
GBP	4,814	794	5,608
SEK	5,542	2,210	7,752
As at 30/09/2020			
USD	5,599	10,199	15,799
GBP	4,511	1,953	6,463
SEK	1,069	5,597	6,667

22. Financial risks and financial instruments - continued -

Financial liabilities by currency

The following table analyses the breakdown of liabilities by currency.

Amounts in DKK '000	Trade payables	Other payables	Total
As at 30/09/2021			
USD	241	1,154	1,395
GBP	7,674	601	8,275
SEK	1,796	726	2,522
As at 30/09/2020			
USD	95	848	943
GBP	1,000	1,634	2,633
SEK	1,097	1,205	2,302

Sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in USD, GBP and SEK exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

A 10% increase / decrease in the exchange rate of the DKK against the USD would cut / increase profits before tax by DKK 1,249k (2019/20: DKK 1,486k).

A 10% increase / decrease in the exchange rate of the DKK against the GBP would cut / increase profits before tax by DKK -267k (2019/20: DKK 383k).

A 10% increase / decrease in the exchange rate of the DKK against the SEK would cut / increase profits before tax by DKK 523k (2019/20: DKK 436k).

22. Financial risks and financial instruments - continued -

Liquidity risk

The group's liquidity risk covers the risk that the group is not able to meet its liabilities as they fall due.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

Amounts in DKK '000	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 30/09/2021					
Other credit institutions	2,105	898	281	0	3,284
Trade payables	13,342	0	0	0	13,342
Other payables	11,172	20,854	0	0	32,026
Total	26,619	21,752	281	0	48,652
As at 30/09/2020					
Other credit institutions	1,936	1,936	1,235	0	5,107
Trade payables	6,003	0	0	0	6,003
Other payables	16,184	0	7,835	0	24,019
Total	24,123	1,936	9,070	0	35,129

23. Related parties

Ownership

No party exercises control of Visiopharm A/S.

Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Amounts in DKK '000		Amounts owed by related parties	Purchases from related parties	Amounts owed to related parties
Other related parties:				
Purchase of treasury share	2020/21	0	0	0
	2019/20	0	2,717	0
Services provided				
	2020/21	0	478	9
	2019/20	750	600	21

Services provided

Companies controlled by members of the key management employees has provided other services than management services.

Treasury shares

The company has purchased treasury shares from companies controlled by members of the key management employees.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Transactions with key management personnel

Remuneration for the management is disclosed in note 5. There were no other transactions with key management employees.

24. Events after the balance sheet date

No important events have occurred after the end of the financial year.

25. Adoption of the annual report for publication

At the board meeting on 1 December 2021, the Board of Directors adopted this annual report for publication. The annual report will be presented to Visiopharm A/S's shareholders for approval at the annual general meeting on 21 December 2021.

26. New accounting regulation

IASB has published a number of new and changed accounting standards and interpretations, which are not mandatory for the preparation of the consolidated financial statements for 2020/21. These standards and interpretations are not expected to have any significant impact on the group.

Parent company income statement

Note		2020/21 DKK '000	2019/20 DKK '000
	Revenue	**53,349**	**39,867**
	Work performed for own account and capitalized	6,956	5,318
	Other operating income	6,793	6,756
	Costs of raw materials and consumables	-16,276	-9,419
	Other external expenses	-19,032	-15,887
	Gross profit	**31,790**	**26,635**
1	Staff costs	-61,961	-44,188
	Profit/loss before depreciation, amortization, write downs and impairment losses	**-30,171**	**-17,553**
	Depreciation, amortization, impairment losses and write downs of property, plant and equipment	-5,810	-6,954
	Profit/loss before net financials	**-35,981**	**-24,507**
2	Income from equity investments in group enterprises	-12,252	-6,468
3	Financial income	983	567
4	Financial expenses	-833	-2,196
	Profit/loss before tax	**-48,083**	**-32,604**
5	Tax on profit or loss for the year	5,790	5,459
	Profit/loss for the year	**-42,293**	**-27,145**
	Proposed appropriation account		
6	Retained earnings	-42,293	-27,145
	Total	**-42,293**	**-27,145**

Parent company balance sheet

ASSETS

Note		30/09/21 DKK '000	30/09/20 DKK '000
	Completed development projects	14,796	12,624
	Acquired rights	1,315	1,560
	Goodwill	0	0
7	**Total intangible assets**	**16,111**	**14,184**
	Other fixtures and fittings, tools and equipment	618	710
8	**Total property, plant and equipment**	**618**	**710**
9	Equity investments in group enterprises	10,267	9,950
10	Deposits	490	377
	Total investments	**10,757**	**10,327**
	Total non-current assets	**27,486**	**25,221**
	Manufactured goods and goods for resale	36	1,241
	Total inventories	**36**	**1,241**
	Trade receivables	4,423	12,575
	Receivables from group enterprises	3,552	4,336
13	Deferred tax asset	9,706	5,447
	Income tax receivable	2,722	1,192
	Other receivables	569	0
	Receivables from owners and management	0	750
11	Prepayments	1,194	512
	Total receivables	**22,166**	**24,812**
	Cash	**47,185**	**79,366**
	Total current assets	**69,387**	**105,419**
	Total assets	**96,873**	**130,640**

Parent company balance sheet

EQUITY AND LIABILITIES

Note		30/09/21 DKK'000	30/09/20 DKK'000
12	Share capital	1,625	1,625
	Reserve for development costs	11,541	9,428
	Retained earnings	41,568	85,693
	Total equity	**54,734**	**96,746**
14	Other provisions	935	0
	Total provisions	**935**	**0**
	Payables to other credit institutions	1,196	3,172
	Deferred income	326	25
15	**Total long-term payables**	**1,522**	**3,197**
15	Short-term portion of long-term payables	2,088	1,936
	Prepayments received from customers	428	1,728
	Trade payables	3,671	3,825
	Other payables	28,909	19,834
16	Deferred income	4,586	3,374
	Total short-term payables	**39,682**	**30,697**
	Total payables	**41,204**	**33,894**
	Total equity and liabilities	**96,873**	**130,640**

17 Contingent liabilities
18 Charges and security
19 Related parties

Parent company statement of changes in equity

Figures in DKK '000	Share capital	Reserve for develop-ment costs	Retained earnings	Total
Statement of changes in equity for 01/10/19 – 30/09/20				
Equity as at pr. 01/10/19	1,409	8,713	64,113	74,235
Foreign currency translation adjustment of foreign enterprises	0	0	945	945
Capital increase	216	0	49,783	265,783
Purchase of treasury shares	0	0	-2,834	-2,834
Transfers to/from other reserves	0	715	-715	0
Share-based payments	0	0	1,546	1,546
Net profit/loss for the year	0	0	-27,145	-27,145
Equity as at 30/09/20	1,625	9,428	85,693	96,746
Statement of changes in equity for 01/10/20 – 30/09/21				
Equity as at pr. 01/10/20	1,625	9,428	85,693	96,746
Foreign currency translation adjustment of foreign enterprises	0	0	-654	-654
Transfers to/from other reserves	0	2,113	-2,113	0
Share-based payments	0	0	935	935
Net profit/loss for the year	0	0	-42,293	-42,293
Equity as at 30/09/21	1,625	11,541	41,568	54,734

	2020/21 DKK '000	2019/20 DKK '000

1. Staff costs

	2020/21 DKK '000	2019/20 DKK '000
Wages and salaries	43,299	40,283
Share-based payment expense	13,019	1,022
Pensions	763	755
Other social security costs	1,030	278
Other staff costs	3,850	1,850
Total	61,961	44,188
Average number of employees during the year	58	55

Compensation for key management personnel:

	2020/21 DKK '000	2019/20 DKK '000
Short-term employee benefits Executive Board	3,337	3,134
Post-employment benefits Executive Board	53	52
Total	3,390	3,186
Remuneration for the Board of Directors	825	825

2. Income from equity investments in group enterprises

	2020/21 DKK '000	2019/20 DKK '000
Share of profit or loss of group enterprises	-11,274	-5,490
Amortization of goodwill	-978	-978
Total	-12,252	-6,468

3. Financial income

	2020/21 DKK '000	2019/20 DKK '000
Interest, group enterprises	605	567
Foreign currency translation adjustments	378	0
Total	983	567

Parent company notes

	2020/21 DKK '000	2019/20 DKK '000

4. Financial expenses

	2020/21 DKK '000	2019/20 DKK '000
Other interest expenses	833	682
Foreign currency translation adjustments	0	1,514
Total	833	2,196

5. Tax on loss for the year

	2020/21 DKK '000	2019/20 DKK '000
Current tax	1,530	1,192
Change in deferred tax	3,938	4,267
Adjustment of tax in respect of previous years	322	0
Total	5,790	5,459

6. Proposed appropriation account

	2020/21 DKK '000	2019/20 DKK '000
Retained earnings	-42,293	-27,145
Total	-42,293	-27,145

7. Intangible assets

Figures in DKK ’000	Completed development projects	Acquired rights	Goodwill
Cost pr. 01/10/20	29,819	4,632	840
Additions during the year	6,956	247	0
Disposals during the year	-1,104	0	0
Cost as at 30/09/21	35,671	4,879	840
Amortization and impairment losses pr. 01/10/20	-17,195	-3,072	-840
Amortization during the year	-4,509	-492	0
Disposals during the year	829	0	0
Amortization and impairment losses as at 30/09/21	-20,875	-3,564	-840
Carrying amount as at 30/09/21	14,796	1,315	0

Visiopharm is continuously developing digital pathology software for clinical and research use. Development projects include Visiopharm's general software platform and specific modules and apps for image analysis. The products are already released in the market: Research-use only products are released globally and clinical products are regulated and sold in the EU market. The company has issued a detailed procedure for activation of development projects, including criterias for activation and approval procedure for hours and cost.

Software engineers are registering hours in time sheets, approved by the R&D Director. Cost for development projects include salaries to the company's software engineers. Development projects are amortized according to the straight-line method over their estimated useful lives from the time when the asset is ready for use. The amortization period is five years. Development projects are reviewed for impairment at least once a year. Management assesses that there is no indication of impairment of the value in the balance sheet as of Sep. 30, 2021. This assessment is based on Management budgets and forecasts for the next five years, which are approved by the Board of Directors.

8. Other fixtures and fittings, tools and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost pr. 01/10/20	4,512
Additions during the year	442
Disposals during the year	-3,207
Cost as at 30/09/21	1,747
Depreciation and impairment losses pr. 01/10/20	-3,802
Depreciation during the year	-534
Disposals during the year	3,207
Depreciation and impairment losses as at 30/09/21	1,129
Carrying amount as at 30/09/21	618

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01/10/20	10,050
Cost as at 30/09/21	10,050
Revaluations as at 01/10/20	4,000
Foreign currency translation adjustment of foreign enterprises	157
Net profit/loss from equity investments	1,138
Revaluations as at 30/09/21	5,295
Depreciation and impairment losses as at 01/10/20	-4,100
Foreign currency translation adjustment of foreign enterprises	-811
Amortization of goodwill	-978
Net profit/loss from equity investments	-12,412
Negative equity value impaired in receivables	12,288
Negative equity value transferred to provisions	935
Depreciation and impairment losses as at 30/09/20	-5,078
Carrying amount as at 30/09/21	10,267

The item comprises goodwill at 30/09/21 of	4,891

Group enterprises:

Visiopharm Corporation, USA	100%
Visiopharm LRI AB, Sweden	100%
Visiopharm UK Limited, England	100%
Visiopharm GmbH, Germany	100%
Visiopharm NL B.V., Netherlands	100%

10. Other non-current financial assets

Figures in DKK '000	Deposits
Cost pr. 01/10/20	377
Additions during the year	113
Cost as at 30/09/21	490

11. Prepayments

	30/09/21 DKK'000	30/09/20 DKK'000
Prepaid expenses	1,194	510
Total	1,194	510

12. Equity

Share capital

The company's share capital consists of 1,625,252 shares of DKK 1 each (30.09.20: 1,625,252 shares of DKK 1 each). The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights at 30/09/21.

Shares issued and fully paid:

	2020/21	2019/20
Shares issued, 01/10	1,625,252	1,408,965
Cash capital increase on 01/07/2020	0	216,287
Shares issued, 30/09	1,625,252	1,625,252

12. Equity - continued -

Treasury shares

	Cost DKK	Quantity	Nominal Value DKK	Percent of capital
Holding of treasury shares as at 01.10.20	9,645,743	47,984	47,984	2,95%
Total as at 30.09.21	9,645,743	47,984	47,984	2,95%

Treasury shares are purchased for use as share-based payment.

	30/09/2021 DKK '000	30/09/2020 DKK '000
13. Deferred tax		
Provisions for deferred tax as at 01.10.20	-5,446	-1,179
Adjustment of deferred tax in respect of previous years	-322	0
Deferred tax recognized in the income statement	-3,938	-4,267
Provisions for deferred tax as at 30.09.21	-9,706	-5,446
which is distributed as follows:		
Deferred tax assets	-9,706	-5,446
Deferred tax liabilities	0	0
Total	-9,706	-5,446
Deferred tax is made up as follows:		
Intangible assets	3,545	3,121
Property, plant and equipment	-113	-65
Liabilities	-1,063	-935
Tax losses carried forward	-12,075	-7,567
Total deferred tax	-9,706	-5,446

13. Deferred tax - continued -

As at 30 September 2021, the company has recognized a deferred tax asset of DKK 9,706 Deferred tax asset is primarily attributed to tax losses carried forward and are recognized when it is probable that they can be realized by offsetting them against future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized. Based on the latest business plan approved by the board of director it is deemed likely that future profits will offset the deferred tax asset. Deferred tax has been provided at 22% corresponding to the current tax rate.

14. Other provisions

Figures in DKK ‘000	Provisions for subsidiaries
Provisions as at 01.10.20	0
Provisions during the year	935
Provisions as at 30.09.21	935

Other provisions are expected to be distributed as follows:

Non-current liabilities	935
Current liabilities	0
Total	935

15. Longterm payables

Figures in DKK ’000	Repayment first year	Total payables at 30/09/21	Total payables at 30/09/20
Payables to other credit institutions	2,088	3,284	5,108
Deferred income	0	326	25
Total	2,088	3,610	5,133

16. Deferred income

	30/09/21 DKK'000	30/09/20 DKK'000
Deferred revenue	4,586	3,374
Total	4,586	3,374

17. Contingent liabilities

Lease commitments

The company has concluded operating leases in respect of office premises. The leases are based on fixed lease payments, which are index-adjusted once every year. The leases are non-terminable.

	30/09/2021 DKK '000	30/09/2020 DKK '000
The total, future minimum lease payments are distributed as follows:		
Within 1 year	1,125	1,665
1-5 year(s)	133	1,258
After 5 years	0	0
Total	1,258	2,923

Guarantee commitments

The company has issued letters of support to group enterprises Visiopharm UK Ltd. and Visiopharm GmbH ensuring the necessary liquidity for the ongoing operations of these companies.

The company has provided a guarantee of DKK 6,276k as security for payments for deliveries to customers.

18. Charges and security

As security for debt to credit institutions of DKK 3,349k, a company charge of DKK 12,000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables. The total carrying amount of the comprised assets is DKK 57,677k.

19. Related parties

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1 Staff costs.

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) for medium-sized companies in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

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

Assets are recognized 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 recognized 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 date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner.

On initial recognition, transactions denominated in foreign currencies 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 applicable at the date of payment are recognized 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 payable arose or was recognized in the latest annual report is recognized in the income statement under financial income or expenses. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

20. Accounting policies – continued –

On recognition of foreign subsidiaries which are independent entities, the income statements are recognized at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are recognized at the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arisen at the conversion of equity at the beginning of the year and income statements at the exchange rates applicable at the balance sheet date are recognized 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 recognized directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognized in the income statement.

INCOME STATEMENT

LEASES

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

GRANTS

Grants are recognized when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognized on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognized under other operating income.

Revenue

Income from the sale of goods is recognized 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.

Income from royalties is based on licensing agreement with subsidiaries. Royalties is recognized as a percentage of revenue in subsidiaries for income covered by the licensing agreement.

20. Accounting policies – continued –

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 capitalized

Work performed for own account and capitalized 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.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including grants.

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 recognized 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.

Staff costs

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

Share-based payments

Cash-settled share-based payments

Cash-settled share-based payments of the Group are granted to employees. The share price is estimated based on analysis of the valuation of peer companies in the market.

20. Accounting policies – continued –

On average Peer companies trade at a multiple of 18-20 times the recognized revenue. Visiopharm is not a publicly traded company and have a slightly different product mix than the peer companies, so multiples for Visiopharm are currently estimated lower and in range of 8-10 times the recognized revenue. This is in the management's opinion the best estimate of the fair market value of the company.

Until the liability is settled, the company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement. Changes in fair value is recognized in profit or loss for the period.

Equity-settled share-based payments

Equity-settled share-based payments of the company are share options granted to external consultants, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the financial statement of profit or loss over the period that the consultant becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity. The expense is recognized as an external expense in the financial statements.

Equity is also increased by the proceeds received, as and when the consultant choose to exercise their options.

For additional description of share-based payments refer to note 6 of the consolidated financial statements.

Depreciation, amortization and impairment losses

The depreciation and amortization of intangible assets and property, plant and equipment aim at systematic depreciation and amortization over the expected useful lives of the assets. Assets are depreciated and amortized 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	10	0
Other fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortized over 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.

20. Accounting policies – continued –

The basis of depreciation and amortization is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortization 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 and intangible assets' section.

Income from equity investments in group enterprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognized in the income statement after elimination of unrealized intercompany profits and losses and less any goodwill amortization and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

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

Tax on profit/loss for the year

The current and deferred tax for the year is recognized 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 recognized directly in equity.

BALANCE SHEET

Intangible assets

Completed development projects

Development projects are recognized 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 directly or indirectly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects

20. Accounting policies – continued –

in the development period is not included in the cost. Other development projects and development costs are recognized 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 amortization and impairment losses.

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

Acquired rights

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

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

Goodwill

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

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

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.

Other fixtures and fittings, tools and equipment

Other fixtures and fittings, tools and equipment comprise other fixtures and fittings, tools and equipment.

Other fixtures and fittings, tools and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

20. Accounting policies – continued –

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.

Other fixtures and fittings, tools and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortization and impairment losses' section.

Gains and losses on the disposal of other fixtures and fittings, tools 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 enterprises

Equity investments in subsidiaries are recognized and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a consolidation method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognized in the income statement at the date incurred.

Under subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments 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 recognized to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Goodwill recognized under equity investments is amortized according to 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 for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

20. Accounting policies – continued –

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortized goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognized in the income statement under income from equity investments.

Impairment losses on assets

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

If the company's realized 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.

20. Accounting policies – continued –

Receivables

Receivables are measured at amortized 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 recognized under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties is measured at the selling price of the work performed less on account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from the work in progress. The degree of completion for each piece of work in progress is normally calculated as the ration between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognized under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognized as a provision.

Prepayments

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

Cash

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

20. Accounting policies – continued –

Equity

The net revaluation of equity investments measured according to the equity method is recognized 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 adopted before adoption of the annual report for Visiopharm A/S are not tied up in the revaluation reserve (simultaneous principle).

An amount equivalent to internally generated development costs in the balance sheet is recognized in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortization 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 recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognized directly in equity under retained earnings.

Current and deferred tax

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

Deferred tax liabilities and tax assets are recognized on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is non-amortizable 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 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 recognized, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

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.

20. Accounting policies – continued –

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortized cost where capital losses and loan expenses are recognized in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortized 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

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.