MEDICAL-PROGNOSIS.COM

# 2017 ANNUAL REPORT

Medical Prognosis Institute A/S

*CVR: 28106351*

# Contents

# Company information etc.

## The company

Medical Prognosis Institute A/S
Venlighedsvej 1
DK-2970 Hoersholm
CVR no.: DK 28 10 63 51

## Board of Directors

Frank Knudsen, Chairman
Magnus Persson
Peter Buhl Jensen
Steen Meier Knudsen
Niels Johansen
Jørgen Bardenfleth

## Executive Board

Peter Buhl Jensen

## Auditors

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR-no. DK 33 77 12 31

## LETTER FROM THE CEO

The year of 2017 and the beginning of 2018 has truly been an eventful period for MPI. Numerous activities both in MPI and our drug-developing spin-out company Oncology Venture has demonstrated the Drug Response Prediction DRP® technology’s value for cancer patients.

With these achievements as a solid platform, we recently announced the proposed merger between MPI and Oncology Venture. We take this step, in order to create an integrated leading oncology biotechnology company, based on the companies' complementary business models, strong business relations and high degree of interdependence, as well as the significant overlaps in terms of ownership structures and executive management teams.

The merged company will establish a new strong entity focused on personalized medicine, also described as precision medicine, to provide better treatments for patients with cancer. MPI will bring in DRP® – Drug Response Prediction – to the new merged company. Oncology Venture will contribute with molecules to treat cancer tumors that has unleashed potential. This area of personalized medicine is highly dependent on companion diagnostics like DRP®. Companion diagnostics has among authorities, oncologists and the big pharma companies been pointed out as a way forward in personalized medicine. The growth for the drugs within this sector of the life science industry has been substantial and is projected to continue to grow at a high pace going forward.

One of the big challenges to the future growth in companion diagnostics is aligning the incentives of all stakeholders (Amit Agarwal, 2015). Diagnostic companies and drug developers are interdependent when dealing with companion diagnostics. With MPI’s diagnostic screening method, DRP® and the active molecules from Oncology Venture in one company, this issue has been addressed. The merger will be a valuable advantage in negotiations with drug owners, potential biotech and pharma partners and future acquirers of our drug candidates.

In 2017, MPI and Oncology Venture announced the second interim report from the Phase 2 part of an ongoing LiPlaCis® Phase 1/2 study in hard to treat metastatic breast cancer patients. It is very encouraging that DRP® has been able to identify responding and non-responding patients with statistical significance in this prospective study.

During the past year MPI also accelerated the development of the PRP® platform for precision medicine. We have investigated around 800 patients with metastatic breast cancer and analyzed the patients biopsies to compare the results of their previous treatments in their disease period with the patients’ clinical response data on the different products. The first data have been published and we have shown that we, with statistical significance, can predict the individual patients result of the treatment.

In late 2017, we published mRNA data from 914 patients tissue samples from four different studies of multiple myeloma which was used to test whether the DRP® score could predict drug sensitivity, progression free survival (PFS) and drug response in high-risk myeloma. In the publication it was demonstrated that DRP® can predict sensitivity to the drugs melphalan (PFS prolonged) and bortezomib (PFS prolonged and better RR). Although these specific pharmaceuticals are not within the merged company´s pipeline, the findings are adding to the concept of creating Personal Response Prediction tools.

The future of oncology drug development relies on increasingly integrating drugs and their companion diagnostics, and I am now looking forward to the support of our shareholders in realizing the merger to position us at the forefront of this development.

**Peter Buhl Jensen**
CEO, Medical Prognosis Institute A/S

## FINANCIAL HIGHLIGHTS AND RATIOS

| **Key figures**<br>Amounts in DKK '000 | Group<br>IFRS<br>2017 | Group<br>IFRS<br>2016 | Parent<br>DK GAAP<br>2015 | Parent<br>DK GAAP<br>2014 | Parent<br>DK GAAP<br>2013 |
|---|---|---|---|---|---|
| *Profit/loss* | | | | | |
| Revenue | 5,145 | 4,384 | 5,838 | 4,315 | 4,050 |
| Profit/loss before depreciation* (EBITDA) | -23,794* | -13,769 | -10,718 | -7,003 | -4,321 |
| Operating profit/loss before net financials | -23,848 | -13,814 | -11,036 | -7,075 | -4,354 |
| Net financials | -6,176 | 49 | -113 | 26 | -22 |
| Net profit/loss for the year* | -30,390* | -11,308 | -8,366 | -5,347 | -3,539 |
| *Balance sheet* | | | | | |
| Balance sheet total | 12,654 | 16,364 | 29,183 | 24,413 | 12,357 |
| Purchase of PPE | 0 | 68 | 40 | 223 | 0 |
| Equity | 2,445 | 11,308 | 25,612 | 22,219 | 10,418 |
| *Cash flows* | | | | | |
| Cash flows from: | | | | | |
| Operating activities | -8,345 | -8,410 | -9,752 | -5,356 | -6,249 |
| Investing activities | -794 | -68 | -1,262 | -896 | -306 |
| Financing activities | 7,180 | 8,448 | 271 | 17,149 | 9,495 |

### Ratios

| | | | | | |
|---|---|---|---|---|---|
| Profit margin | -463% | -315% | -189% | -164% | -108% |
| Return on assets | -188% | -84% | -38% | -29% | -35% |
| Solvency ratio | 19% | 69% | 88% | 91% | 84% |
| Return on equity | -125% | -48% | -35% | -33% | -48% |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

*It is IFRS requirement to recognize the Black-Scholes value of share-based payments as staff expense over the service period. The share-based payment (2017: DKK 12,9 million and 2016: DKK 2,3 million) has accounting effect but have no cash outflow for the company. The share-based payment is reflecting an extraordinary granting of warrants to board members and CEO to compensate for the cancellation of the same numbers of warrants issued in 2014 and 2016.
Share based payment is a common tool in biotech companies as a remuneration tool to attract and maintain key personnel.

## FINANCIAL REVIEW

### Income statement

Revenue amounted to DKK 5,145k in 2017 (DKK 4,384k for the corresponding period in 2016). Revenue for the 2nd half of 2017 amounted to DKK 2,085k (DKK 3,140k for the corresponding period in 2016). Loss before depreciation amounted to DKK -23,794k of which DKK 12,975k is share based payments with no cash effect but accounted for due to IFRS requirement (Loss before depreciation in 2016 were TDKK -13 769 where TDKK 461 is share based payment with no cash effect). The share-based payment is reflecting an extraordinary granting of warrants to board members and executive management to compensate for the cancellation of warrants issued in 2014 and 2016. The development in profit margin amounted to -463 % (last year -315 %). Gross loss before depreciation for the 2nd half of 2017 amounted to DKK -7,712k (DKK -8,417k for the corresponding period in 2016). The development in gross profit margin for the 2nd half of 2017 amounted to -370 % (last year -268 %).
Staff expenses amounted to TDKK -18 577 (last year TDKK -6 274). Eliminating for share-based payment TDKK 12 975 salaries and wages would be TDKK 5 602. Staff expenses for the 2nd half of 2017 amounted to TDKK -3 387 (TDKK -5 099 for the corresponding period in 2016).

Profit/loss before financial income and expenses showed a loss of DKK -23,848k (last year DKK -13,814k). This loss was in line with the guidance in the half year interim report. Loss before tax amounted to DKK -30,980k (last year DKK -13,958k). Tax amounted to DKK 590k (last year DKK 2,650k) and relates to tax refund of the tax losses from research and development costs. The Group realized a net loss of DKK -30,390k affected by the non-cash share based payment (last year DKK -11,308k). Net loss for the 2nd half of 2017 amounted to DKK -11,022k (DKK -6,992k for the corresponding period in 2016).

### Balance sheet

Total assets amounted to DKK 12,985k (last year DKK 16,364k) and primarily consist of cash and investments and warrants in associates. Total liabilities amounted to DKK 10,209k (last year DKK 5,056k) and primarily consist of the trade payables and deferred income.

### Cash flows

The Group’s cash flow was a negative DKK -1,959k (last year a negative DKK -30k).

### Outlook for 2018

The EBITDA before effect of proposed merger with Oncology Venture AB is expected to be in the range of DKK -10 to -12 million.

## Subsequent events

MPI and Oncology Venture Sweden AB have announced that their respective Boards of Directors have agreed on a joint merger plan to accomplish a merger of the companies. Combining the two highly complementary businesses will result in a leading integrated oncology biotechnology company with a promising anticancer drug pipeline (OV) resting on a proprietary patient screening technology to predict drug response (MPI’s DRP®). The merger will be implemented with MPI as the continuing legal entity and OV as the discontinuing entity. Following completion of the merger the combined company will be referred to as ‘Oncology Venture’. The Merger is conditional upon, inter alia, approvals at the extraordinary general meetings of both companies. Oncology Venture’s shareholders will receive as merger consideration 1.8524 shares in Medical Prognosis Institute for each share in OV. Above 50 percent of the shareholders in OV and above 70 percent of the shareholders in MPI, have undertaken or declared their intention to vote in favor of the Merger at their respective upcoming extraordinary general meetings. The Boards of Directors of Oncology Venture and MPI have identified considerable strategic and operational rationales for a merger, based on the companies’ complementary business models, strong business relations and high degree of interdependence, as well as the significant overlaps in terms of ownership structures and executive management teams.

Apart from the above, no important events have occurred after the end of the financial year.

## Distribution of profit

The Board of Directors proposes that the loss for the year is transferred to retained earnings.

## CAPITAL RESOURCES AND LIQUIDITY

As a development company, and like other similar companies, MPI over the years has shown negative cash flow why the company is dependent on being recapitalized until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring MPI’s financial position and are prepared to take the adequate measures to secure the ongoing activities of the company.
To further optimize and secure the financial position of the company the management is continuously considering relevant improvement initiatives, e.g. sales of the company's share position in Oncology venture Sweden AB, partnering deals, capital increases or loan facilities. The Board of Directors and Management have confidence in the company as a going concern (stand alone or as merged), and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

## Financial calendar 2018

| | |
|---|---|
| April 24, 2018 | Annual General Meeting 2018 |
| August 31, 2018 | Publication of the Interim Report for the first half 2018 |
| December 31, 2018 | Financial calendar year end |
| March 29, 2019 | Publication of Annual Report for 2018 |

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR H2 2017

| | H2 2017<br>DKK '000 | H2 2016<br>DKK '000 |
|---|---|---|
| **Revenue** | **2,085** | **3,140** |
| Other operating income | 1,073 | 378 |
| Other external expenses | -7,483 | -8,660 |
| Staff expenses | -3,387 | -3,275 |
| **Loss before depreciation (EBITDA)** | **-7,712** | **-8,417** |
| Depreciation of property, plant and equipment | -27 | -23 |
| **Operating loss before net financials** | **-7,739** | **-8,440** |
| Share of profit of an associate | -2,561 | -2,243 |
| Dilution gain of an associate | -5 | 2,023 |
| Financial income | 403 | 362 |
| Financial expenses | -596 | -275 |
| **Loss before tax** | **-10,498** | **-8,573** |
| Tax on loss for the year | -473 | 1,538 |
| **Net loss for the year** | **-10,971** | **-7,035** |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| Exchange differences on translation of foreign operations | -51 | 43 |
| **Other comprehensive income for the year, net of tax** | **-51** | **43** |
| **Total comprehensive income** | **-11,022** | **-6,992** |

## CONSOLIDATED CASH FLOW STATEMENT FOR H2 2017

| | H2 2017<br>DKK '000 | H2 2016<br>DKK '000 |
|---|---|---|
| **Loss before tax** | **-10,498** | **-8,573** |
| Adjustment for non-cash items | 6,857 | 2,404 |
| Financial income, reversed | -403 | -362 |
| Financial expenses, reversed | 596 | 275 |
| Change in working capital | -4,720 | 773 |
| **Cash flows from operating activities before net financials** | **-8,168** | **-5,483** |
| Financial income received | 89 | 361 |
| Financial expenses paid | -53 | -275 |
| Income tax received | 2,476 | 2,775 |
| Income tax paid | 0 | -53 |
| **Cash flows from operating activities** | **-5,656** | **-2,675** |
| Purchase of property, plant and equipment | 0 | -68 |
| **Cash flows from investing activities** | **0** | **-68** |
| Cash capital increase | 7,401 | 371 |
| Transaction cost, cash capital increase | -298 | 0 |
| **Cash flows from financing activities** | **7,103** | **371** |
| **Total cash flows for the year** | **1,447** | **-2,372** |
| Cash, beginning of year | 1,920 | 7,817 |
| Net foreign exchange difference | -41 | 43 |
| **Cash, end of year** | **3,326** | **5,488** |

## SELECTED ANNOUNCEMENTS AND NEWS 2017

- ✓ On December 15th, MPI announced that a publication titled "Drug response prediction in high-risk multiple myeloma" is to be published in the scientific magazine "Gene". In the publication it is demonstrated that MPI's Drug Response Predictor - DRP® - can predict sensitivity to melphalan (PFS prolonged) and bortezomib (PFS prolonged and better RR).

- ✓ On November 1st, MPI announced that the United States Patent & Trademark Office (USTPO) has allowed and registered its primary trademark, DRP®, used in connection with the Company's core predictive biomarker platform and services.

- ✓ On September 19th, MPI announced early data from Oncology Ventures ongoing LiPlaCis® Phase 1/2 study which showed response and clinical benefits in hard to treat patients with metastatic Breast Cancer.

- ✓ On August 31st, MPI published its half-year report for 2017.

- ✓ On the 9th of August, Aktieinfo.net published an investor analysis on MPI's spinout Oncology Venture Sweden AB.

- ✓ On the 19th of July, MPI announces that Oncology Venture and Novartis Pharma AG (Basel, Switzerland) have entered into an agreement providing Oncology Venture with an option right to execute an exclusive license to develop and commercialize an undisclosed small molecule, kinase inhibitor in clinical development. The molecule has been explored in multiple therapeutic indications including a variety of solid tumors.

- ✓ On the 7th of July, MPI announces that that Oncology Venture has entered into an exclusive global license agreement with Eisai Inc. for Eisai's Phase 2 PARP inhibitor E7449 - now called 2X-121.

- ✓ On the 5th of July, MPI announced that the company had raised DKK 8 million (SEK 10.3 million) in a rights issue. The amount secures financing until H2 2018.

- ✓ On the 27th of June, MPI announces that data from the ongoing LiPlaCis Phase 1/2 study shows that tumor response to LiPlaCis can be predicted by the Drug Response Predictor independent of tumor type and including Breast Cancer.

- ✓ On the 8th of June, MPI announces that 2X Oncology Inc., a US spin-out from Oncology Venture, has obtained the Investigational New Drug (IND - i.e. allowance to run clinical trials in the US) application for the liposomal doxorubicin 2X-111 drug candidate.

- ✓ On the 1st of June, MPI announces that the board of directors has decided to conduct a rights issue of shares supported by an authorization granted to the board of directors by an extraordinary general meeting. The rights issue comprises of maximum 814,235 new shares at the offer price of DKK 11.29 (SEK 14.80) per share.

- ✓ On the 31st of May, MPI announces that the first patient has entered the Oncology Venture APO010 Phase 1/2 study for Multiple Myeloma (MM).

- ✓ On the 29th of May, Oncology Venture is informed by the US Patent Office that it will allow the claims in a patent application for a response predictor (DRP®) for Oncology Ventures anticancer drug Irofulven.

- ✓ On the 21st of April, MPI announced that the Company increases its share capital with nominal DKK 6,190 as a result of exercise of 123,800 warrants.

- ✓ On the 12th of April, MPI - Epirubicin-DRP data for Breast Cancer is accepted for presentation at the 2017 American Society of Clinical Oncology (ASCO) annual meeting in Chicago, Illinois. The data demonstrates that the efficacy of chemotherapy with epirubicin, one of the most used drugs in Breast Cancer, can now be predicted by DRP.

- ✓ On the 28th of March, MPI's spinout Oncology Venture in-licenses 2BBB Medicines BV’s Phase 2 lead product '2B3-101' for 2X Oncology's pipeline.

- ✓ On the 24th of March, MPI announces that Oncology Venture will develop a Companion Diagnostic utilizing MPI's Drug Response Predictor, DRPTM technology for an undisclosed Eisai oncology therapeutic agent.

- ✓ On the 22nd of March, the Danish radio 24syv makes an extensive interview with MPI and Oncology Venture.

- ✓ The 8th of March, MPI exercises 100,000 warrants in Oncology Venture Sweden AB. The exercised warrants are part of the 302,243 warrants in Oncology Venture that MPI was granted in return for Oncology Venture's extended exclusive license to the MPI Drug Response Prediction (DRP®) technology.

- ✓ On the 24th of January, MPI announces that in a study of 4 breast cancer drugs for personalized medicine, data for epirubicin, fulvestrant, anastrazole and exemestan demonstrated with statistical significant values that the PRP® could predict whether the individual patients responded on the treatment with the mentioned drugs or not.

- ✓ On the 19th of January, MPI’s spinout Oncology Venture is granted EUROSTARS funds from the Norwegian Research Council and Innovationsfonden in Denmark for the further clinical development of LiPlaCis.

- ✓ On the 9th of January, MPI announces that CE-marking for the in vitro diagnostic medical device (IVD); the Drug Response Predictor - DRP® - has been technically validated and registered for Oncology Ventures lead drug candidate LiPlaCis® allowing the product to be marketed in EU.

- ✓ On the 5th of January, MPI increases its share capital with nominal DKK 6,337 as a result of exercise of 126,740 warrants.

**Announcements after the end of 2017**

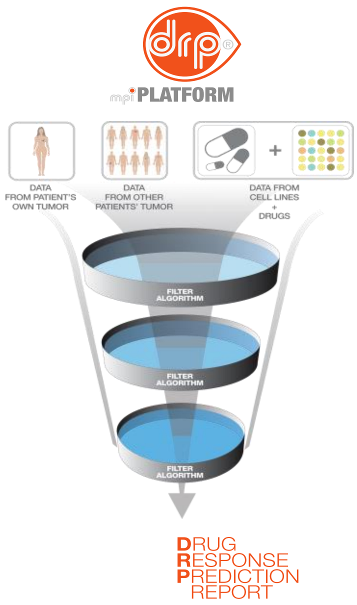
- ✓ On January 15th, 2018, MPI announced that Oncology Venture has decided to execute the TKI license from Novartis.

- ✓ On January 31st, 2018, MPI's spinout Oncology Venture announces the second interim report from the Phase 2 part of an ongoing LiPlaCis® Phase 1/2 study in hard to treat metastatic breast cancer patients. Clinical response to LiPlaCis - a targeted liposomal formulation of cisplatin - is shown in 7 out of 10 evaluable patients, whereas conventional cisplatin treatment of metastatic breast cancer has reported a response rate of only 10 percent in previously conducted trials.

- ✓ On March 9th, 2018, MPI and Oncology Venture jointly announced that their respective Boards of Directors have agreed on a joint merger plan to accomplish a merger of the companies. The Merger will be implemented with MPI as the continuing legal entity and OV as the discontinuing entity. Following completion of the merger the combined company will be referred to as "Oncology Venture". The combined company will continue to be listed on Nasdaq Stockholm First North. Following the merger of MPI and OV, it is the intention of the management of the combined company to bring the company to the Nasdaq main market in Stockholm. The Boards of Directors of Oncology Venture and MPI have identified considerable strategic and operational rationales for a merger, based on the companies' complementary business models, strong business relations and high degree of interdependence, as well as the significant overlaps in terms of ownership structures and executive management teams. The proposed merger has the potential to create a leading oncology biotechnology company that deploys MPI's unique biomarker technology (DRP®) with Oncology Venture's capability of identifying and developing personalized cancer drugs.

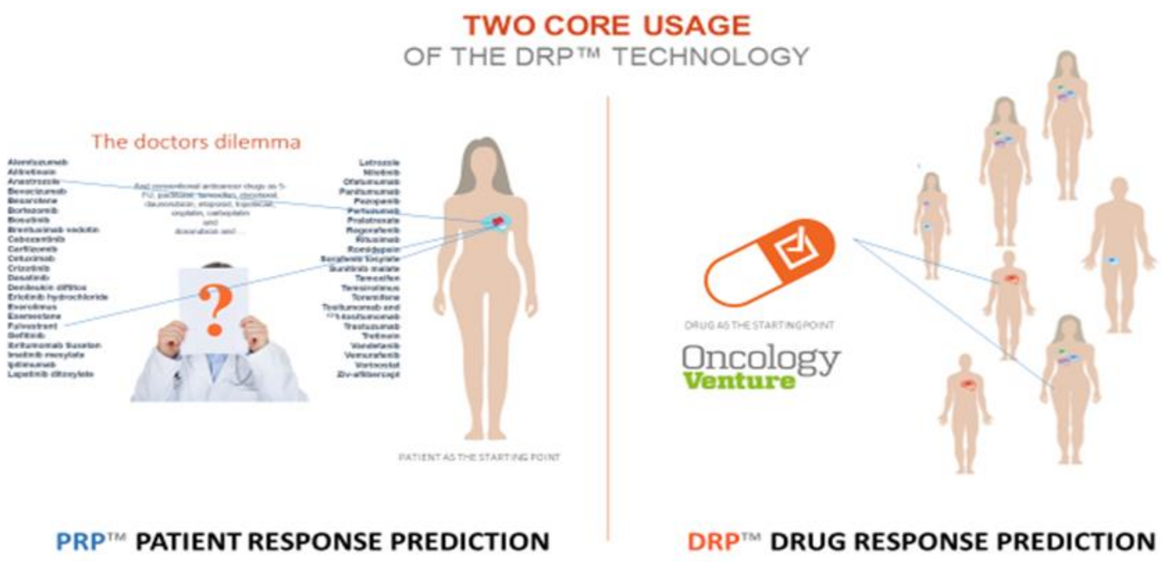
## ABOUT MEDICAL PROGNOSIS INSTITUTE A/S

### Personalized Medicine – Cancer is Individual




Many anti-cancer drugs are only beneficial to a small group of patients. Cancer patients are treated according to guidelines defined by experience on which treatment has shown to be the most effective. There is currently no way of identifying which patients will respond to a specific treatment. This forces oncologists to treat many patients without knowing if the treatment will have effect on the patient. If the number of patients responding to a drug is too low, the drug candidate will most likely not be used, even if it may in fact be well suited for certain patients.

MPI was founded by Professor Emeritus Steen Knudsen, who has a background within the mathematics of bioinformatics. The MPI approach includes the company's technology Drug Response Predictor (DRP®), for finding the genomic "fingerprint" of each individual tumour. This fingerprint is determined based on sensitivity data from cancer cell lines. Big data from cancer patients' biopsies is used to remove clinically irrelevant signals, i.e. filtering/reducing the background noise. The fingerprint makes it possible to predict whether a patient is likely to benefit from treatment with a certain drug. Per the board's evaluation, MPI's product is a landmark, and can be used both for identifying patients with the best chances of responding to treatment, and for sorting out patients with low likeliness to respond to a certain drug.




### Drug Response Prediction (DRP®)

With MPI's DRP® technology it is possible to define a genetic fingerprint distinguishing the different cancer forms' sensitive to treatment from those that are resistant to treatment. Patients who - based on the genetic fingerprint or ”RNA expression” of their cancer - can be expected to respond to treatment, are selected. This considerably increases the likeliness for successful results in new clinical studies. DRP has shown the ability to give a statistically proven efficacy prediction for treatment of cancer patients in 29 out of 37 evaluated clinical studies. Statisticians at MD Anderson Cancer Center in Texas have blindly validated DRP in three different studies (Journal of National Cancer Institute, Wang et al. September 2013), and MPI has validated DRP through blinded analyses in 37 clinical studies.

Oncology Venture and its daughter companies 2X Oncology Inc. and OV-SPV2 Aps have exclusive license to the technology for three years beginning in 2017 to identify high likely responders to drugs in clinical development in Oncology Ventures pipeline.

**Patient Response Prediction (PRP ®)**

MPI's DRP® technology is also the base of the development of Patient Response Prediction (PRP®). It is the Board's assessment that PRP® can become a powerful tool for a large group of cancer patients where other biomarkers are currently unavailable. PRP® is a business area for innovations within Personalized Medicine, focusing on future development of consumer products and services for informing, gathering and formulating personal treatments. The PRP® technology makes it possible to assist patients and doctors by helping them determine which treatment is most suitable in each specific case. This will be of great value for patients as well as for the party bearing the treatment costs. MPI has established several co-operations with national and international academics and hospitals for evaluating PRP® in practise.

## SHARE INFORMATION AND DEVELOPMENT IN SHARE PRICE IN 2017

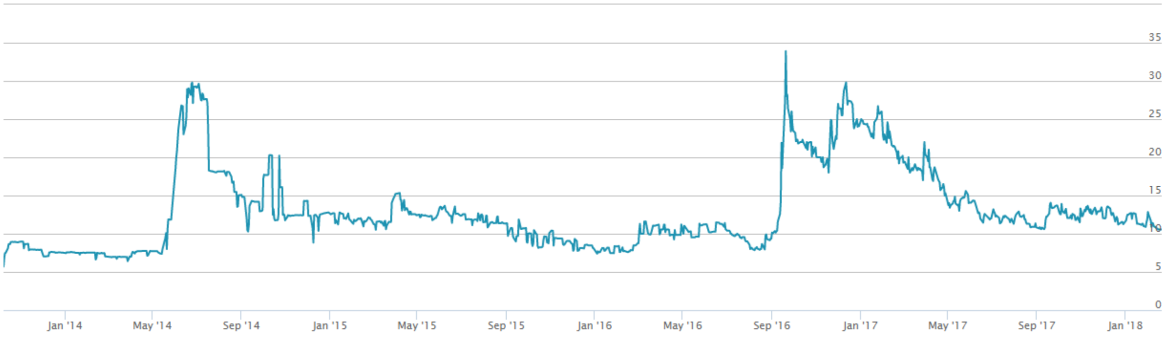
MPI has been listed at Nasdaq Stockholm First North since June 27th, 2016. Before listing on Nasdaq Stockholm First North, the company was listed on Nasdaq Copenhagen First North from October 2013 until the move to Nasdaq Stockholm First North, at an introduction price of DKK 94 per share. On April 20th, 2016 a General Meeting decided to split the share 1:20.

On December 31st, 2017, the share capital was DKK 1,215,377.75. The outstanding number of shares was 24,307,555.

MPI's shareholder base consists of Management, employees and private investors.

Small shareholders had a 39.2% combined stake in the Company while large shareholders (excluding the Board of Directors and Management) held a total of 25.1%. The Board of Directors including founder and Management own the remaining 35.7%. The commitment and belief of the Board of Directors and Management in the company's future is supported by their major holdings.

*Development in Share Price*



# 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 Medical Prognosis Institute A/S for the financial year 1 January – 31 December 2017.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hoersholm, March 23 2018

**Executive Board**

Peter Buhl Jensen
CEO

**Board of Directors**

| | | |
|---|---|---|
| Frank Knudsen<br>Chairman | Peter Buhl Jensen | Steen Meier Knudsen |

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

| | | |
|---|---|---|
| Niels Johansen | Magnus Persson | Jørgen Bardenfleth |

**To the shareholders of Medical Prognosis Institute A/S**

**Opinion**
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group’s financial position at 31 December 2017 and of the results of the Group’s operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company’s financial position at 31 December 2017 and of the results of the Parent Company’s operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial State-ments of Medical Prognosis Institute A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group (“financial statements”).

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Statement on Management’s Review**
Management is responsible for Management’s Review.

Our opinion on the financial statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

- 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.

Hoersholm, 23 March 2018
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

| | |
|---|---|
| Torben Jensen | Thomas Lauritsen |
| State Authorised Public Accountant | State Authorised Public Accountant |
| Mne18651 | Mne34342 |

# Consolidated income statement and statement of comprehensive income

| Note | | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|---|
| 4 | **Revenue** | **5,145** | **4,384** |
| 5 | Other operating income | 3,908 | 1,694 |
| | Other external expenses | -14,270 | -13,573 |
| 6, 7 | Staff expenses, share-based payments * | -12,975* | -461 |
| 6 | Staff expenses, other | -5,602 | -5,813 |
| | **Loss before depreciation (EBITDA)*** | **-23,794*** | **-13,769** |
| | Depreciation of property, plant and equipment | -54 | -45 |
| | **Operating loss before net financials** | **-23,848*** | **-13,814** |
| 14 | Share of profit of an associate | -4,141 | -3,180 |
| | Dilution gain of an associate | 3,185 | 2,987 |
| 9 | Financial income | 404 | 386 |
| 10 | Financial expenses | -6,580 | -337 |
| | **Loss before tax** | **-30,980*** | **-13,958** |
| 11 | Tax on loss for the year | 590 | 2,650 |
| | **Net loss for the year** | **-30,390*** | **-11,308** |
| | *Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| | Exchange differences on translation of foreign operations | -111 | 33 |
| | **Other comprehensive income for the year, net of tax** | **-111** | **33** |
| | **Total comprehensive income** | **-30,501*** | **-11,275** |

*It is IFRS requirement to recognize the Black-Scholes value of share-based payments as staff expense over the service period. The share-based payment (2017: DKK 12,9 million and 2016: DKK 2,3 million) has accounting effect but have no cash outflow for the company. The share-based payment is reflecting an extraordinary granting of warrants to board members and CEO to compensate for the cancellation of the same numbers of warrants issued in 2014 and 2016.
Share based payment is a common tool in biotech companies as a remuneration tool to attract and maintain key personnel.

# Consolidated income statement and statement of comprehensive income

| Note | | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|---|
| | **Profit attributable to:** | | |
| | Owners of the parent company | -30,390* | -11,308 |
| | Non-controlling interests | 0 | 0 |
| | **Total** | **-30,390*** | **-11,308** |
| | **Total comprehensive income attributable to:** | | |
| | Owners of the parent company | -30,501* | -11,275 |
| | Non-controlling interests | 0 | 0 |
| | **Total** | **-30,501*** | **-11,275** |
| | **Earnings per share** | | |
| 12 | Earnings per share (in DKK) | -1.27 | -0.49 |
| 12 | Diluted earnings per share (in DKK) | -1.27 | -0.49 |

*It is IFRS requirement to recognize the Black-Scholes value of share-based payments as staff expense over the service period. The share-based payment (2017: DKK 12,9 million and 2016: DKK 2,3 million) has accounting effect but have no cash outflow for the company. The share-based payment is reflecting an extraordinary granting of warrants to board members and CEO to compensate for the cancellation of the same numbers of warrants issued in 2014 and 2016

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Share based payment is a common tool in biotech companies as a remuneration tool to attract and maintain key personnel.

# Consolidated balance sheet

## ASSETS

| Note | | 31/12/2017 DKK '000 | 31/12/2016 DKK '000 | 01/01/2016 DKK '000 |
|---|---|---|---|---|
| 13 | Plant and machinery | 135 | 189 | 166 |
| 14 | Investment in associates | 3,416 | 2,469 | 2,662 |
| | Warrants in associates | 1,008 | 0 | 0 |
| | Other investments | 324 | 0 | 0 |
| | **Total non-current assets** | **4,883** | **2,658** | **2,828** |
| 15 | Inventories | 1,048 | 663 | 1,465 |
| | Receivables from associates | 2,249 | 3,626 | 281 |
| 16 | Trade receivables | 281 | 312 | 2,070 |
| 11 | Income tax receivable | 680 | 2,527 | 2,558 |
| | Other receivables | 518 | 1,090 | 1,658 |
| | Cash | 3,326 | 5,488 | 5,485 |
| | **Total current assets** | **8,102** | **13,706** | **13,517** |
| | **Total assets** | **12,985** | **16,364** | **16,345** |

# Consolidated balance sheet

## EQUITY AND LIABILITIES

| Note | | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 | 01/01/2016<br>DKK '000 |
|---|---|---|---|---|
| | Share capital | 1,215 | 1,168 | 1,100 |
| | Share premium | 45,224 | 38,091 | 29,711 |
| | Retained earnings | -43,916 | -27,984 | -19,422 |
| | Currency translation reserve | -78 | 33 | 0 |
| 17 | **Total equity** | **2,445** | **11,308** | **11,389** |
| | Payables to associates | 421 | 1,283 | 0 |
| | Trade payables | 2,510 | 1,644 | 1,391 |
| 11 | Income tax payable | 0 | 2 | 17 |
| | Other payables | 412 | 123 | 1,308 |
| | Deferred income | 7,197 | 2,004 | 2,240 |
| | **Current liabilities** | **10,540** | **5,056** | **4,956** |
| | **Total liabilities** | **10,209** | **5,056** | **4,956** |
| | **Total equity and liabilities** | **12,985** | **16,364** | **16,345** |

# Consolidated statement of changes in equity

| Amounts in DKK '000 | Share capital | Share premium | Retained earnings | Currency translation reserve | Total equity |
|---|---|---|---|---|---|
| Equity as at 01/01/2016 | 1,100 | 29,711 | -19,422 | 0 | 11,389 |
| Loss for the year | | | -11,308 | | -11,308 |
| Other comprehensive income | | | | 33 | 33 |
| Total comprehensive income | 0 | 0 | -11,308 | 33 | -11,275 |
| Cash capital increase | 64 | 8,622 | | | 8,686 |
| Exercise of warrants | 4 | 38 | | | 42 |
| Costs of capital increase | | -280 | | | -280 |
| Share-based payments | | | 2,746 | | 2,746 |
| Equity as at 31/12/2016 | 1,168 | 38,091 | -27,984 | 33 | 11,308 |
| | | | | | |
| Equity as at 01/01/2017 | 1,168 | 38,091 | -27,984 | 33 | 11,308 |
| Loss for the year | | | -30,390 | | -30,390 |
| Other comprehensive income | | | | -111 | -111 |
| Total comprehensive income | 0 | 0 | -30,390 | -111 | -30,501 |
| Cash capital increase | 35 | 7,313 | | | 7,348 |
| Exercise of warrants | 12 | 118 | | | 130 |
| Costs of capital increase | | -298 | | | -298 |
| Share-based payments | | | 14,458 | | 14,458 |
| Equity as at 31/12/2017 | 1,215 | 45,224 | -43,916 | -78 | 2,445 |

# Consolidated cash flow statement

| Note | | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|---|
| | **Loss before tax** | **-30,980*** | **-13,958** |
| 19 | Adjustment for non-cash items | 6,281 | 2,984 |
| | Financial income, reversed | -404 | -386 |
| | Financial expenses, reversed | 6,580 | 337 |
| 20 | Change in working capital | 7,731 | -102 |
| | **Cash flows from operating activities before net financials** | **-10,792** | **-11,125** |
| | Financial income received | 90 | 386 |
| | Financial expenses paid | -170 | -337 |
| | Income tax received | 2,527 | 2,775 |
| | Income tax paid | 0 | -109 |
| | **Cash flows from operating activities** | **-8,345** | **-8,410** |
| | Purchase of property, plant and equipment | 0 | -68 |
| | Purchase of investments in associates | -784 | 0 |
| | Purchase of other investments | -10 | 0 |
| | **Cash flows from investing activities** | **-794** | **-68** |
| | Cash capital increase | 7,478 | 8,728 |
| | Transaction cost, cash capital increase | -298 | -280 |
| | **Cash flows from financing activities** | **7,180** | **8,448** |
| | **Total cash flows for the year** | **-1,959** | **-30** |
| | Cash, beginning of year | 5,488 | 5,485 |
| | Net foreign exchange difference | -203 | 33 |
| | **Cash, end of year** | **3,326** | **5,488** |

*It is IFRS requirement to recognize the Black-Scholes value of share-based payments as staff expense over the service period. The share-based payment (2017: DKK 12,9 million and 2016: DKK 2,3 million) has accounting effect but have no cash outflow for the company. The share-based payment is reflecting an extraordinary granting of warrants to board members and CEO to compensate for the cancellation of the same numbers of warrants issued in 2014 and 2016.
Share based payment is a common tool in biotech companies as a remuneration tool to attract and maintain key personnel.

# Consolidated notes

1. Accounting policies
2. Significant accounting estimates and judgments
3. Segment information
4. Revenue
5. Other operating income
6. Staff expenses
7. Share-based payment
8. Research and development costs
9. Financial income
10. Financial expenses
11. Tax
12. Earnings per share
13. Property, plant and equipment
14. Investments in associates
15. Inventories
16. Trade receivables
17. Equity
18. Operating lease commitments
19. Adjustment for non-cash items
20. Change in working capital
21. Financial risks and financial instruments
22. Fair value
23. Related parties
24. Events occurring after the balance sheet date
25. Adoption of the annual report for publication
26. New accounting regulation

## 1. Accounting policies

Medical Prognosis Institute A/S is a limited liability company domiciled in Denmark. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

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.

### First consolidated financial statements in accordance with IFRS

The consolidated financial statements of Medical Prognosis Institute A/S for 2017 are the first consolidated financial statements to be prepared prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act for annual reports of class B companies, as Medical Prognosis Institute A/S previously only prepared separate financial statements according to the provisions of the Danish Financial Statements Act. Due to the fact that consolidated financial statements have not previously been prepared, this is the first IFRS financial statements, but not a transition from previous GAAP to IFRS. Hence, the consolidated financial statements do not include reconciliations from previous GAAP to IFRS. The main changes from the financial statements of the parent company in 2016 under previous GAAP to the consolidated financial statements in 2017 under IFRS, relates to recognition and measurement of share-based payments, investment in associates and development costs.

The IFRS opening balance sheet as at 1 January 2016 and the comparative figures for 2016 have been prepared in accordance with IFRS, including the provisions of IFRS 1 “First-time adoption of IFRS”. The accounting policies are based on the accounting standards and interpretations in effect as at 31 December 2017. The IFRS opening balance sheet as at 1 January 2016 has been prepared as if IFRS had always been applied, except for the exemption in IFRS 1, that the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

In 2015 Medical Prognosis Institute A/S recognized revenue instead of deferring the revenue recognition until all recognition criteria were fulfilled with respect to certain contracts. As a consequence, revenue was overstated with DKK 1,700k in the financial statements for 2015 in accordance with previous GAAP. The error has been corrected by restating each of the affected financial statement line items for the prior periods in the IFRS opening balance as of 1 January 2016.

## 1. Accounting policies – continued –

### Consolidated financial statements

The consolidated financial statements comprise Medical Prognosis Institute 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 Medical Prognosis Institute A/S and its subsidiary. 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.

### 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.

### Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

**1. Accounting policies** – continued –

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

### 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 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.

1. **Accounting policies** – continued –

### 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 or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

## STATEMENT OF COMPREHENSIVE INCOME

### Revenue

Revenue comprises the fair value of the consideration received or receivable for services. Revenue from services are recognized over time in line with the execution and delivery of the work. The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when any significant risks and rewards right to the services are transferred and the Group no longer retains managerial responsibility for services sold.

Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts.

### Other operating income

Other income comprises income of a secondary nature in relation to the group’s activities, including grants and license income. Income from licenses that do not transfer the right of ownership to an intangible asset are recognized over time in accordance with the substance of the agreements.

### Other external expenses

Other external expenses comprise expenses relating to marketing, administrative expenses, costs of premises, bad debts, operating leases etc.

### Staff expenses

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.

## 1. Accounting policies – continued –

### Share-based payments

Share-based payments of the Group are equity-settled share options granted to employees, 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 consolidated statement of profit or loss over the period that the employee 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 employees choose to exercise their options.

### Net financials

Net financials comprise interest income and expenses, realized and unrealized gains and losses on transactions in foreign currency and realized and unrealized gains and losses on other financial assets.

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

### Earnings per share

Basic net result per share is calculated as the net result for the year divided by the weighted average number of outstanding ordinary shares, excluding treasury shares.

Diluted net result per share is calculated as the net result for the year divided by the weighted average number of outstanding ordinary shares, excluding treasury shares adjusted for the dilutive effect of share equivalents. As the income statement shows a net loss, no adjustments has been made for the dilutive effect.

### BALANCE SHEET

### Property, plant and equipment

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

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 property, plant and equipment are recognized in the income statement as other operating income or other operating expenses, respectively.

**Equity investments in associates**

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

**Other investments**

Other equity investments including warrants in associates are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

**Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

**Inventories**

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

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

**Receivables**

Receivables comprise trade receivables and other receivables. Receivables are included in the category loans and receivables, which are financial assets with fixed or determinable payments that are not listed in an active market and are not derivative financial instruments.

**1. Accounting policies** – continued –

On initial recognition, receivables are measured at fair value and subsequently at amortized cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Any write-downs for bad debts are determined on the basis of an individual assessment of the individual receivable.

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

### Deferred income

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

**1. Accounting policies** – continued –

## 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.

## FINANCIAL HIGHLIGHTS

Explanation of financial ratios:

| | | |
|---|---|---|
| Profit margin | : | $\frac{\text{Operating profit/loss before net financials x 100}}{\text{Revenue}}$ |
| Return on assets | : | $\frac{\text{Operating profit/loss before net financials x 100}}{\text{Total assets}}$ |
| Solvency ratio | : | $\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$ |
| Return on equity | : | $\frac{\text{Net profit/loss for the year}}{\text{No, of shares at year-end}}$ |
| Earnings per share | : | $\frac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$ |

## 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 2017:

***Development costs***

The conditions for capitalization of development costs are closely defined: an intangible asset must be recognized if, and only if, there is reasonable certainty of receiving future cash flows that will cover an asset’s carrying amount. Since our development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied.

Management assess on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects. As the currently ongoing projects are subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs have not been satisfied as at 31 December 2017 and comparative periods.

## 2. Significant accounting estimates and assessments – continued –

***Valuation of warrants***

The calculated fair value and subsequent compensation expenses for share-based compensation are subject to significant assumptions and estimates. The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

- the expected stock price volatility: The group has estimated the fair value of its warrants by using the historic volatility of the shares
- The risk-free interest rate, which is based on the Danish government bonds (bullet issues) having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.

***Associates***

Oncology Venture AB is an associate of the Group although the Group only owns a 8.45% ownership interest in Oncology Venture AB. The Group is considered to have significant influence over Oncology Venture AB by representation on the board of directors in Oncology Venture AB and close cooperation with Oncology Venture AB with respect to use of Medical Prognosis Institute (MPI) technology. MPI has granted Oncology Venture AB a three year world-wide exclusivity to the MPI Drug Response Prediction (DRP™) technology which Oncology Venture AB will use for drug development. Accordingly, Oncology Venture AB have exclusive rights for the development of DRPs for the individual drugs and for clinical use.

Further, MPI and Oncology Venture AB has 9 March 2018 announced that that their respective Boards of Directors have agreed on a joint merger plan to accomplish a merger of the companies. Combining these two highly complementary businesses will result in a leading integrated oncology biotechnology company with a promising anticancer drug pipeline (OV) resting on a proprietary patient screening technology to predict drug response (MPI's DRP®).

***Recognition of license income***

Oncology Venture AB (OV) and MPI have in January 2017 entered into an license agreement where MPI - for a period of three years – grants OV exclusive rights to use MPI's Drug Response Prediction technology (DRP®) directly or in spinouts in Special Purpose Vehicles. As consideration for the exclusive license, MPI has received 302,243 warrants entitling to subscription of shares in OV. The warrants entitles to subscription of one share per warrant at a subscription price of SEK 10 and will be exercisable until 31 December 2019.

**2. Significant accounting estimates and assessments** – continued –

The fair value of the consideration was DKK 9,519k calculated using the Black-Scholes pricing model. Information about valuation of warrants at fair value appears from note 22. Management has assessed that the exclusive license agreement does not transfer the right of ownership to an intangible asset. Hence, the consideration is recognized as license income straight line over the license period in accordance with the substance of the agreement.

**3. Segment information**

Medical Prognosis Institute is still at an early commercial phase with a limited revenue generating activities. Accordingly, Medical Prognosis Institute only has one operating segment, which is also the only reportable segment. Information on profit/loss and total assets for the segment can be found in the consolidated income statement and the consolidated balance sheet.

Medical Prognosis Institute is domiciled in Denmark. Medical Prognosis Institute has neither revenues from external customers outside Denmark, nor non-current assets in other geographical areas than Denmark. Information on revenues from external customers and non-current assets in Denmark can be found in the consolidated income statement and the consolidated balance sheet. Non-current assets consist of property, plant and equipment and financial assets.

Income from transactions with one major customer recognized under “Revenue” and “Other operating income” amount to DKK 8,762k in 2017, which is more than 10% of total income (2016: DKK 4,167k).

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| **4. Revenue** | | |
| Revenue is distributed as follows: | | |
| Rendering of services | 5,145 | 4,384 |

| | | |
|---|---|---|
| Total | 5,145 | 4,384 |

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|

### 5. Other operating income

| | | |
|---|---|---|
| Grants | -554 | 607 |
| License income | 2,841 | 0 |
| Other services | 1,621 | 1,087 |
| Total | 3,908 | 1,694 |

Grants received in previous periods, DKK 858k was repaid in 2017.

### 6. Staff expenses

| | | |
|---|---|---|
| Wages and salaries | 5,543 | 5,756 |
| Pensions | 28 | 32 |
| Other social security costs | 31 | 25 |
| Share-based payment expense * | 12,975* | 461 |
| Total | 18,577 | 6,274 |
| Average number of employees during the year | 7 | 7 |

Key management personnel comprise the CEO and the Board of Directors.

Compensation for key management personnel of the Group:

| | | |
|---|---|---|
| Short-term employee benefits | 2,286 | 2,096 |
| Post-employment benefits | 0 | 0 |
| Termination benefits | 0 | 0 |
| Share-based payment * | 12,699* | 19 |
| Total | 14,985 | 2,115 |

*It is IFRS requirement to recognize the Black-Scholes value of share-based payments as staff expense over the service period. The share-based payment (2017: DKK 12,9 million and 2016: DKK 2,3 million) has accounting effect but have no cash outflow for the company. The share-based payment is reflecting an

extraordinary granting of warrants to board members and CEO to compensate for the cancellation of the same numbers of warrants issued in 2014 and 2016.
Share based payment is a common tool in biotech companies as a remuneration tool to attract and maintain key personnel.

## 7. Share-based payment

Warrants has been granted to members of the executive management, members of the board of directors, employees and external consultants.

*Warrant plan #5*
On 24 February 2017 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides board of directors and members of the executive management of the Group with the option to purchase ordinary shares of Medical Prognosis Institute A/S at a fixed price. Warrants was granted with either immediately vesting upon granting, or with a monthly vesting of 1/36 until 1 July 2019 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including 1 July 2021.

*Warrant plan #4*
On 18 February 2016, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel with the option to purchase ordinary shares of Medical Prognosis Institute A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 from 1 July 2016 until 1 July 2019, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including 1 July 2021.

*Warrant plan #3*
On 17 December 2014, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel and with the option to purchase ordinary shares of Medical Prognosis Institute A/S at a fixed price. Warrants was granted with 50% immediately vesting upon granting, 25% vesting on 17 December 2015 and 25% vesting on 3 July 2016, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including 1 July 2021.

During 2017, the total charge to profit or loss amounted to DKK 14,458k (2016: DKK 2,746k) of which DKK 12,975k (2016: 461k) are recognized as staff expenses, and DKK 1,483k (2016: DKK 2,285k) are recognized as other external expenses.

The table below summarizes the number of options that were outstanding, their weighted average exercise price (WAEP) as at 31 December, as well as the movements during the period.

### 7. Share-based payment – continued –

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number | WAEP in DKK | Number | WAEP in DKK |
| Outstanding at 1 January | 3,243,360 | 0.52 | 2,689,580 | 0.52 |
| Granted | 696,220 | 0.52 | 633,780 | 0.52 |
| Forfeited | 0 | - | 0 | - |
| Exercised | -250,540 | 0.52 | -80,000 | 0.52 |
| Expired | 0 | - | 0 | - |
| Outstanding at 31 December | 3,689,040 | 0.52 | 3,243,360 | 0.52 |
| Exercisable at 31 December | 3,239,040 | 0.52 | 2,715,210 | 0.52 |

The weighted average share price at the date of exercise of exercised options in 2017 was DKK 20.60 (2016: DKK 15.65). The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 3.50 years (31. December 2016: 4.50 years).

The exercise prices for options outstanding at the end of the year is DKK 0.52 (2016: DKK 0.52).

The weighted average fair value of options granted during the year was DKK 19.43. (2016: DKK 7.20).

The estimate of the grant date fair value of each option issued is based on a Black Scholes model. Inputs to the model included the following:

| | Plan #3 | Plan #4 | Plan #5 |
|---|---|---|---|
| Grant date | 17/12/2014 | 18/02/2016 | 24/02/2017 |
| Weighted average share price | 12.03 | 7.69 | 19.90 |
| Exercise price in DKK | 0.52 | 0.52 | 0.52 |
| Historical and expected volatility | 125.40% | 62.50% | 91.20% |
| Option life (months) | 78.5 | 64.5 | 52.0 |
| Expected dividends | 0 | 0 | 0 |
| Risk-free interest rate | 0 | 0 | 0 |

Expected volatility was determined taking into consideration the volatility of the company’s share price over a 12-month period prior to each award date.

### 8. Research and development costs

Research and development costs that are not eligible for capitalization have been expensed in the period incurred (in 2017, this was DKK 15,941k (2016: DKK 14,086k)), and they are recognized in other external expenses and staff expenses.

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| **9. Financial income** | | |
| Interest income on assets measured at amortized cost | 0 | 0 |
| Exchange rate gains, net | 85 | 386 |
| Change in fair value of other investments | 314 | 0 |
| Other | 5 | 0 |
| Total | 404 | 386 |

### 10. Financial expenses

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| Interest expenses on liabilities measured at amortized cost | 15 | 15 |
| Exchange rate loss, net | 82 | 244 |
| Change in fair value of warrants in associates | 6,410 | 0 |
| Other | 73 | 78 |
| Total | 6,580 | 337 |

### 11. Tax

*Tax on profit/loss for the year*

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| Current tax | 5 | 94 |
| Change in deferred tax | 0 | 0 |
| Adjustment of tax concerning previous years | 0 | -217 |
| Tax received under the tax credit scheme | -595 | -2,527 |
| Tax on profit/loss for the year: | -590 | -2,650 |

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|

**11. Tax** – continued –

*Reconciliation of effective tax rate*

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| Tax computed on the loss before tax at a tax rate of 22.0% | -6,816 | -3,071 |
| Effect of different tax rate in subsidiaries | -2 | -3 |
| Tax value of the result in associate | 283 | 42 |
| Tax value of non-deductible expenses, share-based payments | 3,181 | 604 |
| Tax value of non-deductible expenses, other | 5 | 5 |
| Tax adjustment on loss on warrants in associates | 1,410 | 0 |
| Tax adjustment on deferred income | 1,396 | 0 |
| Other adjustments | -48 | -11 |
| Adjustment of tax concerning previous years | 0 | -217 |
| Effective tax rate (1.9% / 19.0%) | -590 | -2,650 |

| | 31/12/17<br>DKK '000 | 31/12/16<br>DKK '000 |
|---|---|---|
| *Deferred tax is made up as follows:* | | |
| Property, plant and equipment | 17 | 20 |
| Accounts receivable | 13 | 0 |
| Warrants in associate | 1,396 | 0 |
| Deferred income | 330 | 374 |
| Tax losses carried forward | 4,663 | 4,663 |
| Total deferred tax | 6,419 | 5,057 |
| Write down to assessed value | -6,419 | -5,057 |
| Carrying amount | 0 | 0 |
| *which is distributed as follows:* | | |
| Deferred tax assets | 0 | 0 |
| Deferred tax liabilities | 0 | 0 |
| Total | 0 | 0 |

Tax losses carried forward can be carried forward indefinitely.

Deferred tax has been provided at 22% corresponding to the current tax rate.

2017 2016

| | DKK '000 | DKK '000 |
|---|---|---|
| **12. Earnings per share** | | |
| *Earnings per share (basic)* | | |
| Profit/loss for the year attributable to the owners of the parent company (in DKK '000) | -30,390 | -11,308 |
| Average number of shares in circulation | 23,949,877 | 23,215,058 |
| Earnings per share (in DKK) | -1.27 | -0.49 |
| *Diluted earnings per share* | | |
| Profit/loss for the year attributable to the owners of the parent company (in DKK '000) | -30,390 | -11,308 |
| Diluted average number of shares in circulation | 23,949,877 | 23,215,058 |
| Diluted earnings per share (in DKK) | -1.27 | -0.49 |

No dilution since the warrants are currently anti-dilutive.

## 13. Property, plant and equipment

| Amounts in DKK ’000 | Plant and machinery |
|---|---|
| Cost as at 01/01/2017 | 1,801 |
| Additions | 0 |
| Cost as at 31/12/2017 | 1,801 |
| Depreciation and impairment losses as at 01/01/2017 | -1,612 |
| Depreciation | -54 |
| Depreciation and impairment losses as at 31/12/2017 | -1,666 |
| Carrying amount as at 31/12/2017 | 135 |
| Cost as at 01/01/2016 | 1,733 |
| Additions | 68 |
| Cost as at 31/12/2016 | 1,801 |
| Depreciation and impairment losses as at 01/01/2016 | -1,567 |
| Depreciation | -45 |
| Depreciation and impairment losses as at 31/12/2016 | -1,612 |
| Carrying amount as at 31/12/2016 | 189 |

## 14. Investments in associates

The Group has a 8.45% interest in Oncology Venture AB, which is a company/group dedicated to improve the efficacy of the oncology products, increase the response rate in cancer patients, reduce timelines and through this improve success rates in Oncology Drug Development. The activity in the Oncology Venture group is based on technology provided by Medical Prognosis Institute Group. Oncology Venture AB has registered office in Malmö, Sweden and is listed on Aktietorget.se in Sweden. Valuation of equity investments in associates measured at the latest quoted market price (level 1 in fair value hierarchy) on 31 December 2017 amounts to DKK 14,229k (2016: DKK 37,184k).

### 14. Investments in associates – continued –

The Group's interest in Oncology Venture AB is accounted for using the equity method in the consolidated financial statements. The below table illustrates the summarized financial information of the Group's investment in Oncology Venture AB. Summarized financial information represent amounts in the associate's financial statements prepared in accordance with IFRS, adjusted to reflect adjustment made by Medical Prognosis Institute Group for equity accounting purposes.

| | 31/12/17 DKK '000 | 31/12/16 DKK '000 |
|---|---|---|
| Current assets | 26,504 | 30,951 |
| Non-current assets | 16,594 | 1,813 |
| Current liabilities | -10,873 | -9,473 |
| Non-current liabilities | 0 | 0 |
| Equity | 32,225 | 23,291 |
| Group's carrying amount of the investment | 3,416 | 2,469 |

Reconciliation of the above summarized financial information to carrying amount of the interest in Oncology Venture AB recognized in the consolidated financial statements:

| | | |
|---|---|---|
| Net assets of the associate | 32,225 | 23,291 |
| Proportion of the Group's ownership interest | 8.45% | 10.6% |
| Goodwill | 0 | 0 |
| Other adjustments | 0 | 0 |
| Group's carrying amount of the investment | 3,416 | 2,469 |

| | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|
| Revenue | 1,615 | 1,026 |
| Costs | -49,116 | -31,831 |
| Finance costs | 2,935 | 272 |
| Loss before tax | -44,566 | -30,533 |
| Income tax | 5,494 | 5,492 |
| Loss for the year | -39,072 | -25,041 |
| Total comprehensive income for the year | -39,072 | -25,041 |
| Group's share of profit for the year | -4,141 | -3,180 |

### 15. Inventories

Inventories consist of consumables.

The amount of inventories recognized as an expense during the period amounted to DKK 1,654k (2016: DKK 801k). No write down has been recognized during the period (2016: DKK 0k).

| | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 | 01/01/2016<br>DKK '000 |
|---|---|---|---|
| **16. Trade receivables** | | | |
| Gross receivable | 339 | 312 | 2,070 |
| Provision for losses | -58 | 0 | 0 |
| Total | 281 | 312 | 2,070 |
| Due receivables not written down: | | | |
| Overdue, less than 30 days | 281 | 0 | 144 |
| Overdue, more than 30 days | 0 | 63 | 0 |
| Total | 281 | 63 | 144 |

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

### 17. Equity

*Share capital*

The share capital consists of 24,307,555 shares of DKK 0.05 each (2016: 23,362,300 shares of DKK 0.05 each). The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights.

Information relating to the share-based payments Plan, including details of warrants issued, exercised and lapsed during the financial year and warrants outstanding at the end of the reporting period, is set out in note 7.

## 17. Equity – continued –

*Shares issued and fully paid:*

| | 2017 | 2016 |
|---|---|---|
| Shares issued, 01/01 | 23,362,300 | 21,995,400 |
| Cash capital increase on 03/07/2017 | 447,162 | |
| Cash capital increase on 01/06/2017 | 247,553 | |
| Cash capital increase on 20/04/2017 | 123,800 | |
| Cash capital increase on 05/01/2017 | 126,740 | |
| Cash capital increase on 03/11/2016 | | 40,000 |
| Cash capital increase on 16/03/2016 | | 40,000 |
| Cash capital increase on 19/02/2016 | | 1,286,900 |
| Shares issued, 31/12 | 24,307,555 | 23,362,300 |

*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 are paid.

## 18. Operating lease commitments

The group 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.

| | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 |
|---|---|---|
| The total, future minimum lease payments are distributed as follows: | | |
| Within 1 year | 293 | 469 |
| 1-5 year(s) | 59 | 61 |
| After 5 years | 0 | 0 |
| Total | 352 | 530 |
| Operating lease payments recognized in the income statement amount to | 492 | 596 |
| | 2017 | 2016 |

| | DKK '000 | DKK '000 |
|---|---|---|
| **19. Adjustment for non-cash items** | | |
| Depreciation, amortization and impairment losses | 54 | 45 |
| Share-based payment expenses | 14,458 | 2,746 |
| Share of profit of an associate | 4,473 | 3,180 |
| Dilution gain of an associate | -3,185 | -2,987 |
| Received warrants in an associate | -9,519 | 0 |
| Total | 6,281 | 2,984 |

**20. Change in working capital**

| | | |
|---|---|---|
| Change in inventories | -385 | 802 |
| Change in trade receivables | 31 | 1,758 |
| Change in receivable from associates | 1,377 | -3,345 |
| Change in other receivables | 572 | 568 |
| Change in trade payables | 866 | 253 |
| Change in payables to associates | -862 | 1,283 |
| Change in other payables | 289 | -1,185 |
| Change in deferred income | 5,843 | -236 |
| Total | 7,731 | -102 |

## 21. Financial risks and financial instruments

*Risk management policy*

The group's financial risks are managed by the Executive Board. The group has not prepared 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*

The group is not subject to material currency risks.

## 21. Financial risks and financial instruments – continued –

*Credit risk*

The maximum credit risk relating to receivables corresponds to the carrying amount. Information about trade receivables due appears from note 16. The group is not subject to material credit risks.

*Price risk*

The group's exposure to equity securities price risk arises from investments in warrants in the associate, Oncology Venture AB, classified in the balance sheet at fair value through profit or loss. The impact of 10% increase/decrease of the share price in Oncology Venture AB on the group's equity and post-tax profit for the period with all other variables held constant are +/- DKK 173k.

*Liquidity risk*

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

As a development group, and like other similar groups, MPI over the years have shown negative cash flow why the group is dependent on being recapitalized until reaching the point where a positive cash flow begins.

The Board of Directors and Management are constantly monitoring MPI's financial position to be prepared to take adequate measures to secure the group. Several options are possible such as partnering deals, service agreements, reduce investments in associates and increase the capital in the company. Further, MPI and Oncology Venture AB has March 9, 2018 announced that their respective Boards of Directors have agreed on a joint merger plan to accomplish a merger of the companies. Combining these two highly complementary businesses will result in a leading integrated oncology biotechnology company with a promising anticancer drug pipeline (OV) resting on a proprietary patient screening technology to predict drug response (MPI's DRP®). The Board of Directors and Management have confidence in the group as a going concern.

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 31/12/2017* | | | | | |
| Payables to associates | 421 | 0 | 0 | 0 | 421 |
| Trade payables | 2,510 | 0 | 0 | 0 | 2,510 |
| Other payables | 412 | 0 | 0 | 0 | 412 |
| Total | 3,343 | 0 | 0 | 0 | 3,343 |

**21. Financial risks and financial instruments** – continued –

| Amounts in DKK '000 | Within 1 year | 1-2 year(s) | 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| *As at 31/12/2016* | | | | | |
| Payables to associates | 1,283 | 0 | 0 | 0 | 1,283 |
| Trade payables | 1,644 | 0 | 0 | 0 | 1,644 |
| Other payables | 123 | 0 | 0 | 0 | 123 |
| Total | 3,050 | 0 | 0 | 0 | 3,050 |

**22. Fair value**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2017.

| Amounts in DKK '000 | Date of valuation | TOTAL | *Level 1* Quoted prices in active markets | *Level 2* Significant observable inputs | *Level 3* Significant unobserv-able inputs |
|---|---|---|---|---|---|
| *Assets measured at fair value* | | | | | |
| Warrants in associates | 31/12/2017 | 1,008 | | 1,008 | |
| Other investment | 31/12/2017 | 324 | | | 324 |

There were no assets nor liabilities measured at fair value as at 31 December 2016.

There were no transfers between Level 1 and Level 2 during 2017.

*Fair value measurement of warrants in associates*

The calculated fair value for warrants in associates is calculated using the Black-Scholes pricing model. This pricing model requires the input of significant observable inputs; quoted price of the shares of Oncology Venture AB.

## 22. Fair value – continued –

The pricing model also requires the input of subjective assumptions such as:

- The expected stock price volatility: The group has estimated the fair value of warrants in associate by using the historic volatility of the shares in Oncology Venture AB
- The risk-free interest rate, which is based on the Danish government bonds having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms.

## 23. Related parties

*Ownership*

No party exercises control of Medical Prognosis Institute 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 | | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| *Associate:* | | | | | |
| Services provided | 2017 | | 2,604 | | 421 |
| | 2016 | | 1,026 | | 1,283 |
| Rendering of services | 2017 | 6,031 | | 2,249 | |
| | 2016 | 4,167 | | 3,626 | |
| License agreement *) | 2017 | 9,519 | | | |
| *Other related parties:* | | | | | |
| Services provided | 2017 | | 1,806 | | 75 |
| | 2016 | | 1,831 | | 154 |

**23. Related parties** – continued –

**) License agreement with associate*

MPI has in January 2017 entered into a license agreement with the associate Oncology Venture AB (OV) where MPI - for a period of three years – grants OV exclusive rights to use MPI's Drug Response Prediction technology (DRP®) directly or in spinouts in Special Purpose Vehicles. As consideration for the exclusive license, MPI has received 302,243 warrants entitling to subscription of shares in OV. The warrants entitle to subscription of one share per warrant at a subscription price of SEK 10 and will be exercisable until 31 December 2019. The fair value of the consideration was DKK 9,519k calculated using the Black-Scholes pricing model. Information about valuation of warrants at fair value appears from note 22. License income was measured at fair value of the warrants received in January 2017 and recognized as other operating income over the period of three years.

*Transactions with key management personnel*

Remuneration for the management is disclosed in note 6.

**24. Events occurring after the balance sheet date**

MPI and Oncology Venture Sweden AB have announced that their respective Boards of Directors have agreed on a joint merger plan to accomplish a merger of the companies. Combining the two highly complementary businesses will result in a leading integrated oncology biotechnology company with a promising anticancer drug pipeline (OV) resting on a proprietary patient screening technology to predict drug response (MPI's DRP®). The merger will be implemented with MPI as the continuing legal entity and OV as the discontinuing entity. Following completion of the merger the combined company will be referred to as 'Oncology Venture'. The Merger is conditional upon, inter alia, approvals at the extraordinary general meetings of both companies. Oncology Venture's shareholders will receive as merger consideration 1.8524 shares in Medical Prognosis Institute for each share in OV. Above 50 percent of the shareholders in OV and above 70 percent of the shareholders in MPI, have undertaken or declared their intention to vote in favor of the Merger at their respective upcoming extraordinary general meetings. The Boards of Directors of Oncology Venture and MPI have identified considerable strategic and operational rationales for a merger, based on the companies' complementary business models, strong business relations and high degree of interdependence, as well as the significant overlaps in terms of ownership structures and executive management teams.

## 25. Adoption of the annual report for publication

At the board meeting on 23 March 2018, the Board of Directors adopted this annual report for publication. The annual report will be presented to Medical Prognosis Institute A/S's shareholders for approval at the annual general meeting on 24 April 2018.

## 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 2017.

The management has launched an assessment of the impact of IFRS 9 on financial instruments (effective date 1 January 2018), IFRS 15 on revenue recognition (effective date 1 January 2018) and IFRS 16 (effective date 1 January 2019) on the future financial reporting. The other standards and interpretations are not expected to have any significant impact on the group.

### IFRS 9 Financial instruments

The Standard will replace IAS 39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory. The Management has performed an assessment of the impact of IFRS 9 on the Group’s consolidated financial statements based on an analysis of the Group’s financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date.

The Management does not anticipate that the application of the IFRS 9 will have a significant impact on the Group’s consolidated financial statements.

### IFRS 15 Revenue from Contracts with Customers

The Standard effective for annual periods beginning on or after 1 January 2018 replaces IAS 11, IAS 18 and their Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.).

## 26. New accounting regulation – continued –

IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory, and the management intend to use the full retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Group's major sources of revenue the Management anticipate that the application of IFRS 15 will not have a significant impact on the financial position and/or financial performance of the Group. However, more extensive disclosures on the Group's revenue transactions will be required.

### IFRS 16 Leases

The Standard replaces IAS 17 and its Interpretations. It is effective for annual periods beginning on or after 1 January 2019. The main change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

The Management anticipates that IFRS 16 will be adopted in the Group's consolidated financial statements when it becomes mandatory, with the following effects:

- The Group will have to recognize a right-of-use asset and a corresponding liability in respect of all leases. However, it is expected not to have a significant impact on the financial position and/or financial performance of the Group.

# Parent company income statement

| Note | | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|---|
| | **Revenue** | **5,145** | **4,384** |
| | Other operating income | 2,619 | 607 |
| | Other external expenses | -14,442 | -13,443 |
| 2 | Staff expenses | -2,356 | -2,575 |
| | **Loss before depreciation, amortization and impairment (EBITDA)** | **-9,034** | **-11,027** |
| | Depreciation, amortization and impairment of intangible assets and property, plant and equipment | -670 | -495 |
| | **Operating loss before net financials** | **-9,704** | **-11,522** |
| 3 | Financial income | 404 | 386 |
| 4 | Financial expenses | -6,580 | -337 |
| | **Loss before tax** | **-15,880** | **-11,473** |
| | Tax on loss for the year | 595 | 2,744 |
| | **Net loss for the year** | **-15,285** | **-8,729** |
| | | | |
| | **Loss attributable to:** | | |
| | Proposed dividend for the year | 0 | 0 |
| | Retained earnings | -15,285 | -8,729 |
| | **Total** | **-15,285** | **-8,729** |

# Parent company balance sheet

## ASSETS

| Note | | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 |
|---|---|---|---|
| | Development projects | 1,646 | 1,855 |
| | Acquired patents | 1,149 | 1,556 |
| | **Intangible assets** | **2,795** | **3,411** |
| | Plant and machinery | 135 | 189 |
| | **Property, plant and equipment** | **135** | **189** |
| 5 | Investment in subsidiaries | 6 | 6 |
| 6 | Investment in associates | 14,229 | 37,184 |
| | Warrants in associates | 1,008 | 0 |
| | Other investments | 324 | 0 |
| | **Fixed assets investments** | **15,567** | **37,190** |
| | **Fixed assets** | **18,497** | **40,790** |
| | **Inventories** | **1,048** | **663** |
| | Receivables from subsidiaries | 0 | 142 |
| | Receivables from associates | 1,918 | 3,626 |
| | Trade receivables | 281 | 312 |
| | Income tax receivable | 595 | 2,527 |
| | Other receivables | 518 | 1,090 |
| | **Receivables** | **3,312** | **7,697** |
| | **Cash at bank and in hand** | **2,977** | **4,472** |
| | **Current assets** | **7,337** | **12,832** |
| | **Assets** | **25,834** | **53,622** |

# Parent company balance sheet

## EQUITY AND LIABILITIES

| Note | | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 |
|---|---|---|---|
| | Share capital | 1,215 | 1,168 |
| | Share premium | 45,224 | 38,091 |
| | Revaluation reserve | 10,550 | 36,391 |
| | Retained earnings | -42,401 | -27,116 |
| | **Total equity** | **14,588** | **48,534** |
| | Payables to subsidiaries | 77 | 0 |
| | Payables to associates | 421 | 1,283 |
| | Trade payables | 2,498 | 1,630 |
| | Other payables | 403 | 171 |
| | Deferred income | 7,847 | 2,004 |
| | **Total short-term debt** | **11,246** | **5,088** |
| | **Debt** | **11,246** | **5,088** |
| | **Liabilities and equity** | **25,834** | **53,622** |

7 Contingent assets, liabilities and other financial obligations

# Parent company statement of changes in equity

| Amounts in DKK '000 | Share capital | Share premium | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| Equity as at 01/01/2016 | 1,100 | 29,712 | 11,487 | -16,687 | 25,612 |
| Net effect of correction of material errors | | | | -1,700 | -1,700 |
| Equity as at 01/01/2016, corrected | 1,100 | 29,712 | 11,487 | -18,387 | 23,912 |
| Cash capital increase | 64 | 8,622 | | | 8,686 |
| Exercise of warrants | 4 | 38 | | | 42 |
| Costs of capital increase | | -281 | | | -281 |
| Revaluation of the year | | | 24,904 | | 24,904 |
| Loss for the year | | | | -8,729 | -8,729 |
| Equity as at 31/12/2016 | 1,168 | 38,091 | 36,391 | -27,116 | 48,534 |

| Amounts in DKK '000 | Share capital | Share premium | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| Equity as at 01/01/2017 | 1,168 | 38,091 | 36,391 | -27,116 | 48,534 |
| Cash capital increase | 35 | 7,313 | | | 7,348 |
| Exercise of warrants | 12 | 118 | | | 130 |
| Costs of capital increase | | -298 | | | -298 |
| Revaluation of the year | | | -25,841 | | -25,841 |
| Loss for the year | | | | -15,285 | -15,285 |
| Equity as at 31/12/2017 | 1,215 | 45,224 | 10,550 | -42,401 | 14,588 |

## 1. Capital resources and liquidity

As a development company, and like other similar companies, MPI over the years has shown negative cash flow why the company is dependent on being recapitalized until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring MPI's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company.
To further optimize and secure the financial position of the company the management is continuously considering relevant improvement initiatives, e.g. sales of the company's share position in Oncology venture Sweden AB, partnering deals, capital increases or loan facilities. The Board of Directors and Management have confidence in the company as a going concern (stand alone or as merged), and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| **2. Staff expenses** | | |
| Wages and salaries | 2,297 | 2,518 |
| Pensions | 28 | 32 |
| Other social security costs | 31 | 25 |
| Total | 2,356 | 2,575 |
| Average number of employees during the year | 5 | 4 |
| **3. Financial income** | | |
| Interest income on assets measured at amortized cost | 0 | 0 |
| Exchange rate gains, net | 85 | 386 |
| Change in fair value of other investments | 314 | 0 |
| Other | 5 | 0 |
| Total | 404 | 386 |

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|

### 4. Financial expenses

| | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|
| Interest expenses on liabilities measured at amortized cost | 15 | 15 |
| Exchange rate loss, net | 82 | 244 |
| Change in fair value of warrants in associate | 6,410 | 0 |
| Other | 73 | 78 |
| Total | 6,580 | 337 |

### 5. Investment in subsidiaries

| | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|
| Cost at 01/01 | 6 | 6 |
| Additions | 0 | 0 |
| Cost at 31/12 | 6 | 6 |
| Value adjustment at 01/01 | 0 | 0 |
| Revaluation for the year, net | 0 | 0 |
| Value adjustment at 31/12 | 0 | 0 |
| Carrying amount at 31/12 | 6 | 6 |

### 6. Investment in associates

| | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|
| Cost at 01/01 | 793 | 793 |
| Additions | 2,885 | 0 |
| Cost at 31/12 | 3,678 | 793 |
| Value adjustment at 01/01 | 36,391 | 11,487 |
| Revaluation for the year, net | -25,841 | 24,904 |
| Value adjustment at 31/12 | 10,550 | 36,391 |
| Carrying amount at 31/12 | 14,229 | 37,184 |
| Carrying amount in the balance sheet if revaluation to fair value had not been carried out | 3,678 | 793 |

| | 31/12/2017<br>DKK '000 | 31/12/2016<br>DKK '000 |
|---|---|---|

### 7. Contingent assets, liabilities and other financial obligations

*Rental and lease obligations*

| Rental obligations under operating leases, total future payments: | | |
|---|---|---|
| Within 1 year | 174 | 348 |
| 1-5 year(s) | 0 | 0 |
| After 5 years | 0 | 0 |
| Total | 174 | 348 |

### 8. Accounting policies

**Basis of Preparation**

The Annual Report of Medical Prognosis Institute A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Financial Statements for 2017 are presented in DKK.

**Correction of an error**

The company has identified a material error in the financial statements for 2017.

In 2015 Medical Prognosis Institute A/S recognized revenue instead of deferring the revenue recognition until all recognition criteria were fulfilled with respect to certain contracts. As a consequence, revenue was overstated with DKK 1,700k in the financial statements for 2015. The error has been corrected by restating each of the affected financial statement line items for the prior periods. The correction has no impact on the net profit or loss for 2017. As at 31 December 2017, equity is reduced by DKK 1,700k, and the balance sheet total is increased by DKK 1,700k.

Further, the company has recognized grants received as part of the revenue. The grants received has been restated as other operating income. The correction is a restatement in the income statement, and has no impact on neither profit or loss for 2017, nor equity and balance sheet total as at 31 December 2017.

## 8. Accounting policies – continued –

Comparative figures for 2016 have been restated in the balance sheet, income statement and notes. The accumulated effect at the beginning of the financial year has been recognized directly in equity.

### Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciations, write-downs, provisions and reversals as a result of changes in accounting estimates which has been recognized in the income statement in prior financial statements.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

## 8. Accounting policies – continued –

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### Tax

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

## 8. Accounting policies – continued –

### 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 or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

### INCOME STATEMENT

### Revenue

Revenue comprises the fair value of the consideration received or receivable for services. Revenue from services are recognized over time in line with the execution and delivery of the work. The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when any significant risks and rewards right to the services are transferred and the Group no longer retains managerial responsibility for services sold.

Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts.

### Other operating income

Other external income comprises income of a secondary nature in relation to the group’s activities, including grants and license income. Income from licenses that do not transfer the right of ownership to an intangible asset are recognized over time in accordance with the substance of the agreements.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Staff expenses

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

## 8. Accounting policies – continued –

### Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries and associates

Dividends from subsidiaries and associates are recognized as income in the income statement when adopted at the General Meeting of the companies. However, dividends relating to earnings in the companies before they were acquired by the Parent Company are set off against the cost of the companies.

### Net financials

Net financials comprise interest income and expenses, realized and unrealized gains and losses on transactions in foreign currency and realized and unrealized gains and losses on other financial assets.

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

### Intangible assets

*Acquired patents*

Patents are measured at the lower of cost less accumulated amortization and recoverable amount. Patents are amortized over the remaining patent period.

*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 attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognized in the income statement in the year in which they are incurred.

**8. Accounting policies** – continued –

Development projects in progress are transferred to completed development projects when the asset is ready for use.

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

Intangible assets are amortized using the straight-line method based on the following expected useful lives and no residual values:

| | |
|---|---|
| Development projects | 10 years |
| Acquired patents | 5 years |

Amortization period and residual value are reassessed annually.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 3 - 5 years |

Depreciation period and residual value are reassessed annually.

### Fixed asset investments

*Equity investments in associates*

Equity investments in associates, which consist of listed shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

*Equity investments in subsidiaries*

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

## 8. Accounting policies – continued –

*Other investments*

Other equity investments including warrants in associates are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value.

The net realizable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realizable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

### Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

### Cash

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

## 8. Accounting policies – continued –

### EQUITY

#### 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.

#### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

#### Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortized cost, which for cash loans corresponds to the remaining loan. Amortized cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortized cost, substantially corresponding to nominal value.

#### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

# Abbreviations

| Terminology and abbreviations | Definition |
|---|---|
| Cell lines | Cancer cells can be grown in the Laboratory and when cells are stably growing a cell line has been established. There are thousands of such cancer cell lines and cancer drugs can be tested on a panel of different cell lines to get a pattern showing which cell lines the cancer drug kills and which cell lines it does not |
| Cisplatin | Cisplatin is one of the most used cancer drugs |
| DRP | Drug Response Prediction, MPI's gene analysis to predict which patients will respond to a given cancer drug |
| Indication | Here a cancer type or cancer disease |
| MPI | Medical Prognosis Institute A/S (CVR: 28106351) |
| Oncology Venture | Oncology Venture Sweden AB (559016-3290) and its wholly owned subsidiary Oncology Venture ApS (CVR: 34623562) |
| Response Prediction | Predicting the effect of a cancer drug. Effect can be measured in a variety of ways for example is the cancer tumor shrinking (response), - how long does it take before the cancer disease progresses (progression free survival) or the most important parameter, - how long the patient survives (survival) |

# Information regarding forward-looking statements

This Annual Report contains forward-looking statements. Forward-looking statements include statements regarding the Company's intentions, assessments or current expectations concerning, for instance result of operations, liquidity, prospects and strategies in which the Company operates, and can be identified by the use of forward-looking terminology, including terms "believes, " "estimates, " "predicts, " "expect, " "intend, " " may, " " will, " "seeks" or " should" or the negatives thereof or other variations or comparable terminology. These forward- looking statements include all matters that are not historical facts. They appear in a number of locations throughout the Annual Report. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may not occur in the future. The Group cautions that forward-looking statements are no guarantee of future accuracy of the statements and the development of the Group may differ materially from those stated or implied in the forward-looking statements in this Annual Report. Although the development of the Group corresponds to the forward-looking statements in this Annual Report, this development may not be indicative of developments in subsequent periods.