

## **Nordic Bioscience Holding A/S**

Herlev Hovedgade 205-207  
2730 Herlev

Central Business Registration  
No 30511271

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 31.05.2019

### **Chairman of the General Meeting**

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Name: Henrik Bernt Sanders

# Contents

|  | <b><u>Page</u></b> |
|--|--------------------|
| Entity details                                       | 1                  |
| Statement by Management on the annual report         | 2                  |
| Independent auditor's report                         | 3                  |
| Management commentary                                | 6                  |
| Consolidated income statement for 2018               | 9                  |
| Consolidated balance sheet at 31.12.2018             | 10                 |
| Consolidated statement of changes in equity for 2018 | 12                 |
| Consolidated cash flow statement for 2018            | 13                 |
| Notes to consolidated financial statements           | 14                 |
| Parent income statement for 2018                     | 18                 |
| Parent balance sheet at 31.12.2018                   | 19                 |
| Parent statement of changes in equity for 2018       | 21                 |
| Notes to parent financial statements                 | 22                 |
| Accounting policies                                  | 24                 |

## Entity details

### Entity

Nordic Bioscience Holding A/S  
Herlev Hovedgade 205-207  
2730 Herlev

Central Business Registration No: 30511271

Founded: 29.06.2007

Registered in: Herlev

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Claus Henrik Christiansen, Chairman

Henrik Bernt Sanders

Bente Juel Christiansen

### Executive Board

Morten Asser Karsdal, Chief Executive Officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordic Bioscience Holding A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018 and of the results of their operations and the Group's cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Herlev, 31.05.2019

### Executive Board

Morten Asser Karsdal  
Chief Executive Officer

### Board of Directors

Claus Henrik Christiansen  
Chairman

Henrik Bernt Sanders

Bente Juel Christiansen

# Independent auditor's report

## To the shareholders of Nordic Bioscience Holding A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Nordic Bioscience Holding A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

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

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

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

## Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 31.05.2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Jan Larsen  
State Authorised Public Accountant  
Identification number (MNE) mne16541

## Management commentary

|   | <b>2018</b><br><b>DKK'000</b> | <b>2017</b><br><b>DKK'000</b> | <b>2016</b><br><b>DKK'000</b> | <b>2015</b><br><b>DKK'000</b> | <b>2014</b><br><b>DKK'000</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Financial highlights</b>                     |                               |                               |                               |                               |                               |
| <b>Key figures</b>                              |                               |                               |                               |                               |                               |
| Gross profit                                    | 245.141                       | 445.887                       | 119.930                       | 132.882                       | 38.416                        |
| Operating profit/loss                           | 100.335                       | 293.398                       | (1.201)                       | 49.300                        | 38.416                        |
| Net financials                                  | (21.290)                      | 22.305                        | 17.782                        | 3.165                         | 12.201                        |
| Profit/loss for the year                        | 38.255                        | 289.728                       | 3.215                         | 33.128                        | 40.440                        |
| Total assets                                    | 360.962                       | 800.473                       | 459.452                       | 434.167                       | 362.590                       |
| Investments in property,<br>plant and equipment | 11.436                        | 44.807                        | 6                             | 21.413                        | 6.870                         |
| Equity incl minority<br>interests               | 237.840                       | 597.473                       | 316.661                       | 310.479                       | 278.755                       |
| <b>Ratios</b>                                   |                               |                               |                               |                               |                               |
| Return on equity (%)                            | 9,2                           | 63,4                          | 1,0                           | 11,2                          | 14,5                          |
| Equity ratio (%)                                | 65,9                          | 74,6                          | 68,9                          | 71,5                          | 76,9                          |

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

| <b>Ratios</b>        | <b>Calculation formula</b>   | <b>Ratios</b>  |
|----------------------|--|--|
| Return on equity (%) | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$ | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%)     | $\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$                     | The financial strength of the entity.                                |



## Management commentary

### Primary activities

The activities of the Parent Company comprise shareholdings in subsidiaries that carries out research and development within the pharmaceutical sector.

The research and development is performed both for own and for third parties on contract basis and consist of both clinical and preclinical research.

In addition to this, the group has several pharmaceutical projects in both pre-clinical and clinical development.

### Development in activities and finances

The Group have continued the activities with an increased activity level compared to the year 2017. The group reached a Gross Profit of 245 mDKK and an Operating Profit of 100 mDKK. Earnings Before Interest, Taxes, Depreciations and Amortizations (EBITDA) was 138,9 mDKK compared to 313,4 mDKK for the year 2017. The EBITDA development is as follows (mDKK):

|   | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|--------------|
| R&D activities for own and third parties: | 158,4        | 96,9         | 60,7         |
| Pharmaceutical projects, Net              | <u>-19,5</u> | <u>216,5</u> | <u>-56,9</u> |
| <b>SUM</b>                                | <b>138,9</b> | <b>313,4</b> | <b>3,8</b>   |

The EBITDA from Pharmaceutical projects in 2017 was positively influenced by an upfront payment received from a partner during the year.

The result is in line with the expectations, which the management expressed in the Annual Report for 2017.

The management expects earnings from R&D activities for own and third parties to continue to increase in 2019. Furthermore, the management expects that earnings from R&D activities for own and third parties will be able to fully fund the Pharmaceutical projects, even without further milestones or upfront payments.

### Research and development activities

The Group carries out research and development within the pharmaceutical sector for own and third parties. The division Nordic Bioscience Biomarkers & Research are activities focused on biochemical markers, which are typically used as aid in diagnosing or predicting disease development for various diseases. Nordic Bioscience Clinical Development are activities focused on pharmaceutical projects with the aim to develop better treatments.

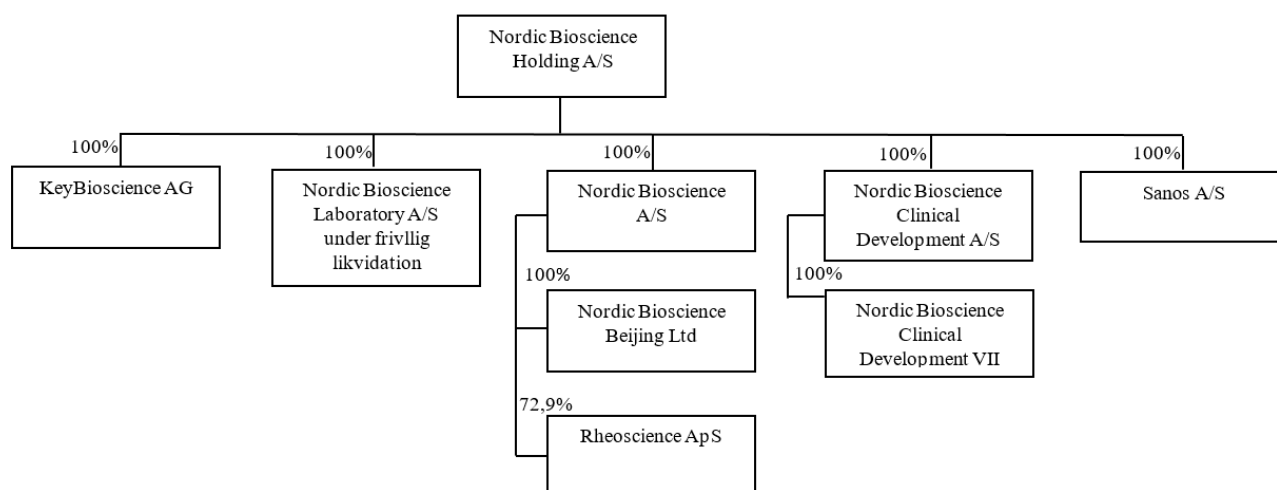
The key to the Group's success is our more than 190 employees, whereby more than 150 are directly engaged in research and development activities. The Group seeks to foster a unique and competitive environment with freedom to explore scientific ideas. We believe in publishing our scientific results and publishes more than 50 scientific publications a year in the highest ranked journals.

## Management commentary

### External environment

In our activities, we are using a very limited number of products, and limited quantities hereof, with could potentially damage the external environment. We find it very important to be in compliance or exceed all applicable environmental regulations and have a good and close relationship with the relevant authorities overseeing such activities.

### Group relations



\*All group enterprises are 100% owned, except Rheoscience, which is owned by 72,9%

### Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Group's and the Parent Company's financial position.

|                              | <u>Number</u>    | <u>Nominal value<br/>DKK</u> | <u>Share of<br/>contributed<br/>capital<br/>%</u> | <u>Purchase /<br/>(selling)-<br/>price<br/>DKK</u> |
|------------------------------|------------------|------------------------------|---|--|
| <b>Treasury shares</b>       |                  |                              |   |  |
| Treasury shares disposed of: |                  |                              |   |  |
| Shares sold                  | 60.311           | 60.311                       | 0,5   | 2.110.887  |
| Shares cancelled             | 2.179.331        | 2.179.331                    | 18,3  | 0  |
|                              | <b>2.239.642</b> | <b>2.239.642</b>             | <b>18,8</b>                                       |  |
| Holding of treasury shares:  |                  |                              |   |  |
| Shares beginning of year     | 2.376.045        | 2.376.045                    | 20,2  |  |
| Shares sold                  | (60.311)         | (60.311)                     | (0,5)   |  |
| Shares cancelled             | (2.179.331)      | (2.179.331)                  | (18,3)  |  |
|                              | <b>136.403</b>   | <b>136.403</b>               | <b>1,4</b>  |  |

## Consolidated income statement for 2018

|   | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK</u> |
|---|--------------|---------------------|---------------------|
| <b>Gross profit</b>                           | 1            | <b>245.141.223</b>  | <b>445.886.714</b>  |
| Research and development costs                | 1            | (121.549.796)       | (127.958.480)       |
| Administrative costs                          |              | (23.255.946)        | (24.529.909)        |
| <b>Operating profit/loss</b>                  |              | <b>100.335.481</b>  | <b>293.398.325</b>  |
| Other financial income from group enterprises |              | 0                   | 2.093.177           |
| Other financial income                        |              | 0                   | 37.042.801          |
| Other financial expenses                      |              | (21.289.729)        | (16.831.058)        |
| <b>Profit/loss before tax</b>                 |              | <b>79.045.752</b>   | <b>315.703.245</b>  |
| Tax on profit/loss for the year               | 2            | (40.790.802)        | (25.974.925)        |
| <b>Profit/loss for the year</b>               | 3            | <b>38.254.950</b>   | <b>289.728.320</b>  |

## Consolidated balance sheet at 31.12.2018

|  | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK</u> |
|--|--------------|---------------------|---------------------|
| Acquired intangible assets                       |              | 38.347.818          | 56.038.054          |
| <b>Intangible assets</b>                         | 4            | <b>38.347.818</b>   | <b>56.038.054</b>   |
| Land and buildings                               |              | 92.614.459          | 92.161.176          |
| Other fixtures and fittings, tools and equipment |              | 18.998.423          | 12.744.855          |
| <b>Property, plant and equipment</b>             | 5            | <b>111.612.882</b>  | <b>104.906.031</b>  |
| Other investments                                |              | 1.365.965           | 1.365.965           |
| Deferred tax                                     |              | 2.052.792           | 25.273.898          |
| <b>Fixed asset investments</b>                   | 6            | <b>3.418.757</b>    | <b>26.639.863</b>   |
| <b>Fixed assets</b>                              |              | <b>153.379.457</b>  | <b>187.583.948</b>  |
| Trade receivables                                |              | 87.334.032          | 74.624.309          |
| Contract work in progress                        | 7            | 8.662.093           | 0                   |
| Other receivables                                |              | 15.612.228          | 10.579.444          |
| <b>Receivables</b>                               |              | <b>111.608.353</b>  | <b>85.203.753</b>   |
| Other investments                                |              | 81.945.692          | 499.745.874         |
| <b>Other investments</b>                         |              | <b>81.945.692</b>   | <b>499.745.874</b>  |
| <b>Cash</b>                                      |              | <b>14.028.339</b>   | <b>27.939.194</b>   |
| <b>Current assets</b>                            |              | <b>207.582.384</b>  | <b>612.888.821</b>  |
| <b>Assets</b>                                    |              | <b>360.961.841</b>  | <b>800.472.769</b>  |

## Consolidated balance sheet at 31.12.2018

|  | <u>Notes</u> | <u>2018<br/>DKK</u>       | <u>2017<br/>DKK</u>       |
|--|--------------|---------------------------|---------------------------|
| Contributed capital  |              | 9.554.746                 | 11.734.077                |
| Retained earnings  |              | 152.241.917               | 182.566.443               |
| Proposed dividend  |              | 76.043.208                | 403.172.558               |
| <b>Equity</b>  |              | <b><u>237.839.871</u></b> | <b><u>597.473.078</u></b> |
| Mortgage debts   |              | 33.293.051                | 34.562.233                |
| <b>Non-current liabilities other than provisions</b>           | <b>8</b>     | <b><u>33.293.051</u></b>  | <b><u>34.562.233</u></b>  |
| Current portion of long-term liabilities other than provisions | 8            | 1.200.000                 | 1.200.000                 |
| Trade payables   |              | 25.123.661                | 52.005.551                |
| Payables to shareholders and management                        |              | 235.865                   | 290.660                   |
| Income tax payable   |              | 9.299.644                 | 9.648.731                 |
| Other payables   |              | 31.795.566                | 13.490.274                |
| Deferred income  |              | 22.174.183                | 91.802.242                |
| <b>Current liabilities other than provisions</b>               |              | <b><u>89.828.919</u></b>  | <b><u>168.437.458</u></b> |
| <b>Liabilities other than provisions</b>                       |              | <b><u>123.121.970</u></b> | <b><u>202.999.691</u></b> |
| <b>Equity and liabilities</b>                                  |              | <b><u>360.961.841</u></b> | <b><u>800.472.769</u></b> |
| Mortgages and securities                                       | 10           |                           |                           |
| Subsidiaries   | 11           |                           |                           |

## Consolidated statement of changes in equity for 2018

|                           | <b>Contributed<br/>capital<br/>DKK</b> | <b>Retained<br/>earnings<br/>DKK</b> | <b>Proposed<br/>dividend<br/>DKK</b> | <b>Total<br/>DKK</b> |
|---------------------------|--|--------------------------------------|--------------------------------------|----------------------|
| Equity beginning of year  | 11.734.077                             | 182.566.443                          | 403.172.558                          | 597.473.078          |
| Decrease of capital       | (2.179.331)                            | 2.179.331                            | 0                                    | 0                    |
| Sale of treasury shares   | 0                                      | 2.110.887                            | 0                                    | 2.110.887            |
| Ordinary dividend paid    | 0                                      | 0                                    | (403.172.558)                        | (403.172.558)        |
| Exchange rate adjustments | 0                                      | 3.071.303                            | 0                                    | 3.071.303            |
| Other equity postings     | 0                                      | 102.211                              | 0                                    | 102.211              |
| Profit/loss for the year  | 0                                      | (37.788.258)                         | 76.043.208                           | 38.254.950           |
| <b>Equity end of year</b> | <b>9.554.746</b>                       | <b>152.241.917</b>                   | <b>76.043.208</b>                    | <b>237.839.871</b>   |

Shares sold: DKK 60 thousand, with an average selling price of DKK 35.

## Consolidated cash flow statement for 2018

|   | <u>Notes</u> | <u>2018<br/>DKK</u>  | <u>2017<br/>DKK</u> |
|---|--------------|----------------------|---------------------|
| Operating profit/loss   |              | 100.335.481          | 293.398.325         |
| Amortisation, depreciation and impairment losses              |              | 19.300.072           | 20.035.356          |
| Working capital changes                                       | 9            | (101.396.470)        | 52.350.254          |
| <b>Cash flow from ordinary operating activities</b>           |              | <b>18.239.083</b>    | <b>365.783.935</b>  |
| Financial income received                                     |              | 0                    | 23.231.223          |
| Financial income paid   |              | (21.289.729)         | 0                   |
| Income taxes refunded/(paid)                                  |              | (21.083.016)         | (10.537.442)        |
| <b>Cash flows from operating activities</b>                   |              | <b>(24.133.662)</b>  | <b>378.477.716</b>  |
| Acquisition etc of intangible assets                          |              | 0                    | (2.494.783)         |
| Acquisition etc of property, plant and equipment              |              | (11.436.195)         | (44.807.466)        |
| <b>Cash flows from investing activities</b>                   |              | <b>(11.436.195)</b>  | <b>(47.302.249)</b> |
| Instalments on loans etc                                      |              | (1.269.182)          | (28.007.699)        |
| Dividend paid   |              | (403.172.558)        | 0                   |
| Sale of treasury shares                                       |              | 2.110.885            | 4.175.465           |
| <b>Cash flows from financing activities</b>                   |              | <b>(402.330.855)</b> | <b>(23.832.234)</b> |
| <b>Increase/decrease in cash and cash equivalents</b>         |              | <b>(437.900.712)</b> | <b>307.343.233</b>  |
| Cash and cash equivalents beginning of year                   |              | 527.685.067          | 233.755.955         |
| Currency translation adjustments of cash and cash equivalents |              | 6.189.676            | (13.414.121)        |
| <b>Cash and cash equivalents end of year</b>                  |              | <b>95.974.031</b>    | <b>527.685.067</b>  |
| Cash and cash equivalents at year-end are composed of:        |              |                      |                     |
| Cash  |              | 14.028.339           | 27.939.194          |
| Securities  |              | 81.945.692           | 499.745.873         |
| <b>Cash and cash equivalents end of year</b>                  |              | <b>95.974.031</b>    | <b>527.685.067</b>  |

## Notes to consolidated financial statements

|  | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
|--|--|--|
| <b>1. Staff costs</b>                          |  |  |
| Wages and salaries                             | 75.264.854   | 59.327.815   |
| Pension costs                                  | 3.980.637  | 3.004.547  |
| Other social security costs                    | 301.368  | 286.308  |
|  | <b>79.546.859</b>  | <b>62.618.670</b>  |
| <br>   |  |  |
| Average number of employees                    | <b>160</b>   | <b>147</b>   |
|  |  |  |
|  | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2018<br/>DKK</b> | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2017<br/>DKK</b> |
| <br>   |  |  |
| Total amount for management categories         | 5.619.906  | 6.988.698  |
|  | <b>5.619.906</b>   | <b>6.988.698</b>   |
|  |  |  |
|  | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
| <b>2. Tax on profit/loss for the year</b>      |  |  |
| Tax on current year taxable income             | 15.215.602   | 16.343.940   |
| Change in deferred tax for the year            | 23.221.106   | 9.651.202  |
| Adjustment concerning previous years           | 2.354.094  | (20.217)   |
|  | <b>40.790.802</b>  | <b>25.974.925</b>  |
|  |  |  |
|  | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
| <b>3. Proposed distribution of profit/loss</b> |  |  |
| Ordinary dividend for the financial year       | 76.043.208   | 403.172.558  |
| Retained earnings                              | (37.788.258)   | (113.444.238)  |
|  | <b>38.254.950</b>  | <b>289.728.320</b>   |



## Notes to consolidated financial statements

|   |                                       | <b>Acquired<br/>intangible<br/>assets<br/>DKK</b>                               |
|---|---------------------------------------|---|
|   |                                       | <u>DKK</u>  |
| <b>4. Intangible assets</b>                               |                                       |   |
| Cost beginning of year                                    |                                       | 99.441.737  |
| Exchange rate adjustments                                 |                                       | (5.098.205)   |
| Disposals   |                                       | (22.117.717)  |
| <b>Cost end of year</b>                                   |                                       | <u><b>72.225.815</b></u>  |
| Amortisation and impairment losses beginning of year      |                                       | (43.403.683)  |
| Exchange rate adjustments                                 |                                       | 1.020.589   |
| Amortisation for the year                                 |                                       | (13.612.620)  |
| Reversal regarding disposals                              |                                       | 22.117.717  |
| <b>Amortisation and impairment losses end of year</b>     |                                       | <u><b>(33.877.997)</b></u>  |
| <b>Carrying amount end of year</b>                        |                                       | <u><b>38.347.818</b></u>  |
|   |                                       |   |
|   |                                       | <b>Other<br/>fixtures and<br/>fittings, tools<br/>and<br/>equipment<br/>DKK</b> |
|   | <b>Land and<br/>buildings<br/>DKK</b> | <u>DKK</u>  |
| <b>5. Property, plant and equipment</b>                   |                                       |   |
| Cost beginning of year                                    | 99.823.007                            | 26.068.398  |
| Exchange rate adjustments                                 | 970.682                               | 0   |
| Additions   | 1.204.770                             | 10.231.425  |
| <b>Cost end of year</b>                                   | <u><b>101.998.459</b></u>             | <u><b>36.299.823</b></u>  |
| Depreciation and impairment losses beginning of the year  | (7.661.831)                           | (13.323.543)  |
| Exchange rate adjustments                                 | (12.574)                              | 0   |
| Depreciation for the year                                 | (1.709.595)                           | (3.977.857)   |
| <b>Depreciation and impairment losses end of the year</b> | <u><b>(9.384.000)</b></u>             | <u><b>(17.301.400)</b></u>  |
| <b>Carrying amount end of year</b>                        | <u><b>92.614.459</b></u>              | <u><b>18.998.423</b></u>  |

## Notes to consolidated financial statements

|   | <b>Other<br/>investments<br/>DKK</b>                         | <b>Deferred tax<br/>DKK</b>                                  |  |
|---|--|--|--|
| <b>6. Fixed asset investments</b>           |  |  |  |
| Cost beginning of year                      | 1.365.965  | 25.273.898   |  |
| Disposals                                   | 0  | (23.221.106)   |  |
| <b>Cost end of year</b>                     | <b>1.365.965</b>   | <b>2.052.792</b>   |  |
| <b>Carrying amount end of year</b>          | <b>1.365.965</b>   | <b>2.052.792</b>   |  |
|   | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |  |
| <b>7. Contract work in progress</b>         |  |  |  |
| Contract work in progress                   | 8.662.093  | 0  |  |
|   | <b>8.662.093</b>   | <b>0</b>   |  |
|   | <b>Instalments<br/>within 12<br/>months<br/>2018<br/>DKK</b> | <b>Instalments<br/>within 12<br/>months<br/>2017<br/>DKK</b> | <b>Instalments<br/>beyond 12<br/>months<br/>2018<br/>DKK</b> |
| <b>8. Liabilities other than provisions</b> |  |  |  |
| Mortgage debts                              | 1.200.000  | 1.200.000  | 33.293.051   |
|   | <b>1.200.000</b>   | <b>1.200.000</b>   | <b>33.293.051</b>  |
|   |  | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
| <b>9. Change in working capital</b>         |  |  |  |
| Increase/decrease in receivables            |  | (20.287.104)   | (37.905.528)   |
| Increase/decrease in trade payables etc     |  | (15.438.138)   | (1.546.460)  |
| Other changes                               |  | (65.671.228)   | 91.802.242   |
|   |  | <b>(101.396.470)</b>   | <b>52.350.254</b>  |
| <b>10. Mortgages and securities</b>         |  |  |  |

Mortgage debt is secured by way of mortgage on properties at a book value of DKK 92,6 million.

## Notes to consolidated financial statements

|  | Registered in | Corpo-<br>rate<br>form | Equity<br>inte-<br>rest<br>% |
|--|---------------|------------------------|------------------------------|
| <b>11. Subsidiaries</b>                                      |               |                        |                              |
| Nordic Bioscience A/S  | Herlev, DK    | A/S                    | 100,0                        |
| Nordic Bioscience Clinical Development A/S                   | Herlev, DK    | A/S                    | 100,0                        |
| Nordic Bioscience Clinical Development VII A/S               | Herlev, DK    | A/S                    | 100,0                        |
| Nordic Bioscience Laboratory A/S under frivillig likvidation | Herlev, DK    | A/S                    | 100,0                        |
| Nordic Bioscience Beijing Ltd.                               | Beijing, CN   | Ltd.                   | 100,0                        |
| KeyBioscience AG   | Stans, CH     | AG                     | 100,0                        |
| Rheoscience ApS  | Herlev, DK    | ApS                    | 72,9                         |
| Sanos A/S  | Herlev, DK    | A/S                    | 100,0                        |

## Parent income statement for 2018

|  | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK</u> |
|--|--------------|---------------------|---------------------|
| <b>Gross profit</b>                          |              | <b>0</b>            | <b>0</b>            |
| Administrative costs                         | 1            | (2.683.080)         | (3.344.825)         |
| <b>Operating profit/loss</b>                 |              | <b>(2.683.080)</b>  | <b>(3.344.825)</b>  |
| Income from investments in group enterprises |              | 54.760.799          | 268.696.462         |
| Other financial income                       |              | 12.138.599          | 29.085.399          |
| Other financial expenses                     |              | (30.882.639)        | (2.270.897)         |
| <b>Profit/loss before tax</b>                |              | <b>33.333.679</b>   | <b>292.166.139</b>  |
| Tax on profit/loss for the year              | 2            | 4.921.271           | (2.437.819)         |
| <b>Profit/loss for the year</b>              | 3            | <b>38.254.950</b>   | <b>289.728.320</b>  |

## Parent income statement for 2018

|                                  | <u>Notes</u> | <u>2018<br/>DKK</u> | <u>2017<br/>DKK</u> |
|----------------------------------|--------------|---------------------|---------------------|
| Investments in group enterprises |              | 326.546.141         | 337.729.853         |
| <b>Fixed asset investments</b>   | 4            | <b>326.546.141</b>  | <b>337.729.853</b>  |
| <b>Fixed assets</b>              |              | <b>326.546.141</b>  | <b>337.729.853</b>  |
| Other receivables                |              | 173.649             | 415.887             |
| Income tax receivable            |              | 7.630.160           | 186.600             |
| <b>Receivables</b>               |              | <b>7.803.809</b>    | <b>602.487</b>      |
| Other investments                |              | 81.945.692          | 499.745.875         |
| <b>Other investments</b>         |              | <b>81.945.692</b>   | <b>499.745.875</b>  |
| <b>Cash</b>                      |              | <b>86.869.334</b>   | <b>59.412.735</b>   |
| <b>Current assets</b>            |              | <b>176.618.835</b>  | <b>559.761.097</b>  |
| <b>Assets</b>                    |              | <b>503.164.976</b>  | <b>897.490.950</b>  |

## Parent balance sheet at 31.12.2018

|  | <u>Notes</u> | <u>2018<br/>DKK</u>       | <u>2017<br/>DKK</u>       |
|--|--------------|---------------------------|---------------------------|
| Contributed capital  |              | 9.554.746                 | 11.734.077                |
| Reserve for net revaluation according to the equity method |              | 23.217.066                | 35.282.753                |
| Retained earnings  |              | 129.024.851               | 147.283.692               |
| Proposed dividend  |              | 76.043.208                | 403.172.558               |
| <b>Equity</b>  |              | <b><u>237.839.871</u></b> | <b><u>597.473.080</u></b> |
| Payables to group enterprises                              |              | 249.777.725               | 298.438.567               |
| Income tax payable   |              | 10.150.786                | 0                         |
| Other payables   |              | 5.396.594                 | 1.579.303                 |
| <b>Current liabilities other than provisions</b>           |              | <b><u>265.325.105</u></b> | <b><u>300.017.870</u></b> |
| <b>Liabilities other than provisions</b>                   |              | <b><u>265.325.105</u></b> | <b><u>300.017.870</u></b> |
| <b>Equity and liabilities</b>                              |              | <b><u>503.164.976</u></b> | <b><u>897.490.950</u></b> |
| Contingent liabilities                                     | 5            |                           |                           |
| Transactions with related parties                          | 6            |                           |                           |

## Parent statement of changes in equity for 2018

|                           | <b>Contributed<br/>capital<br/>DKK</b> | <b>Reserve for net<br/>revaluation<br/>according to<br/>the equity<br/>method<br/>DKK</b> | <b>Retained<br/>earnings<br/>DKK</b> | <b>Proposed<br/>dividend<br/>DKK</b> |
|---------------------------|--|---|--------------------------------------|--------------------------------------|
| Equity beginning of year  | 11.734.077                             | 35.282.753  | 147.283.692                          | 403.172.558                          |
| Decrease of capital       | (2.179.331)                            | 0   | 2.179.331                            | 0                                    |
| Sale of treasury shares   | 0                                      | 0   | 2.110.885                            | 0                                    |
| Ordinary dividend paid    | 0                                      | 0   | 0                                    | (403.172.558)                        |
| Exchange rate adjustments | 0                                      | 0   | 3.071.303                            | 0                                    |
| Transfer to reserves      | 0                                      | 102.211   | 0                                    | 0                                    |
| Profit/loss for the year  | 0                                      | (12.167.898)  | (25.620.360)                         | 76.043.208                           |
| <b>Equity end of year</b> | <b>9.554.746</b>                       | <b>23.217.066</b>   | <b>129.024.851</b>                   | <b>76.043.208</b>                    |
|                           |  |   |                                      | <b>Total<br/>DKK</b>                 |
| Equity beginning of year  |  |   |                                      | 597.473.080                          |
| Decrease of capital       |  |   |                                      | 0                                    |
| Sale of treasury shares   |  |   |                                      | 2.110.885                            |
| Ordinary dividend paid    |  |   |                                      | (403.172.558)                        |
| Exchange rate adjustments |  |   |                                      | 3.071.303                            |
| Transfer to reserves      |  |   |                                      | 102.211                              |
| Profit/loss for the year  |  |   |                                      | 38.254.950                           |
| <b>Equity end of year</b> |  |   |                                      | <b>237.839.871</b>                   |

## Notes to parent financial statements

|   | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
|---|--|--|
| <b>1. Staff costs</b>   |  |  |
| Wages and salaries  | 2.602.001  | 3.283.571  |
|   | <b>2.602.001</b>   | <b>3.283.571</b>   |
| <br>  |  |  |
| Average number of employees   | <b>2</b>   | <b>2</b>   |
|   |  |  |
|   | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2018<br/>DKK</b> | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2017<br/>DKK</b> |
| <br>  |  |  |
| Total amount for management categories                                    | 2.602.001  | 3.283.571  |
|   | <b>2.602.001</b>   | <b>3.283.571</b>   |
|   |  |  |
|   | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
| <b>2. Tax on profit/loss for the year</b>                                 |  |  |
| Tax on current year taxable income  | (4.648.160)  | 2.405.008  |
| Adjustment concerning previous years                                      | (273.111)  | 32.811   |
|   | <b>(4.921.271)</b>   | <b>2.437.819</b>   |
|   |  |  |
|   | <b>2018<br/>DKK</b>  | <b>2017<br/>DKK</b>  |
| <b>3. Proposed distribution of profit/loss</b>                            |  |  |
| Ordinary dividend for the financial year                                  | 76.043.208   | 403.172.558  |
| Transferred to reserve for net revaluation according to the equity method | (12.167.898)   | 35.282.753   |
| Retained earnings   | (25.620.360)   | (148.726.991)  |
|   | <b>38.254.950</b>  | <b>289.728.320</b>   |



## Notes to parent financial statements

|                                    | <b>Investments<br/>in group<br/>enterprises<br/>DKK</b> |
|------------------------------------|---|
| <b>4. Fixed asset investments</b>  |   |
| Cost beginning of year             | 302.447.100   |
| Additions                          | 881.975   |
| <b>Cost end of year</b>            | <b>303.329.075</b>                                      |
| Revaluations beginning of year     | 35.282.753  |
| Exchange rate adjustments          | 3.173.514   |
| Share of profit/loss for the year  | 54.760.799  |
| Dividend                           | (70.000.000)  |
| <b>Revaluations end of year</b>    | <b>23.217.066</b>                                       |
| <b>Carrying amount end of year</b> | <b>326.546.141</b>                                      |

### 5. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

### 6. Transactions with related parties

Referring to section 98c(7) of the Danish Financial Statements Act, Nordic Bioscience Holding A/S has not disclosed any transactions with related parties.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, production costs and cost of sales.

## Accounting policies

### Revenue

Revenue from contracts concluded on performance of clinical studies as well as sale of other services is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end.

Contracts concluded on performance of clinical studies running over several financial years are recognised under the percentage-of-completion method as the studies progress.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

### Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### Research and development costs

Research and development costs include research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

### Administrative costs

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

### Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

## Accounting policies

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years. The amortisation of patents and licences begins after regulatory approval has been obtained.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

## Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

|  |           |
|--|-----------|
| Buildings  | 50 years  |
| Other fixtures and fittings, tools and equipment | 3-7 years |

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Other investments

Other investments comprise unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

### Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

## Accounting policies

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

### Other investments

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

### Cash

Cash comprises cash in hand and bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### Operating leases

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

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

## Accounting policies

### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.