

Nordic Bioscience Clinical Development A/S

Herlev Hovedgade 207
2730 Herlev
Business Registration No
30582462

Annual report 2017

The Annual General Meeting adopted the annual report on 26.03.2018

Chairman of the General Meeting

Name: Thomas Nielsen

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Entity details

Entity

Nordic Bioscience Clinical Development A/S
Herlev Hovedgade 207
2730 Herlev

Central Business Registration No (CVR): 30582462
Registered in: Herlev
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Claus Henrik Christiansen, Chairman
Thomas Nielsen
Morten Asser Karsdal

Executive Board

Jeppe Ragnar Andersen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen 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 Clinical Development A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 26.03.2018

Executive Board

Jeppe Ragnar Andersen
Chief Executive Officer

Board of Directors

Claus Henrik Christiansen
Chairman

Thomas Nielsen

Morten Asser Karsdal

Independent auditor's report

To the shareholder of Nordic Bioscience Clinical Development A/S

Opinion

We have audited the financial statements of Nordic Bioscience Clinical Development A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 financial statements

Management is responsible for the preparation of 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 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 financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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, 26.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jan Larsen
State-Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

Primary activities

The object of the Company is to operate within clinical drug development and other related activities. In 2017, the Company acquired a building in Herlev, which partly will be used by the Company and partly by group external tenants.

Development in activities and finances

The Company's income statement for the year ended 31.12.2017 shows a profit of DKK 20,785,529 while the balance sheet shows equity of DKK 21,500,588 at 31.12.2017.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		24.576.095	12.735.938
Research and development costs		(773.179)	(1.007.423)
Administrative expenses	1	<u>(4.079.732)</u>	<u>(3.697.162)</u>
Operating profit/loss		19.723.184	8.031.353
Income from investments in group enterprises		1.953.736	11.438.803
Other financial income		4.948.649	0
Other financial expenses		<u>(1.712.590)</u>	<u>(4.776.466)</u>
Profit/loss before tax		24.912.979	14.693.690
Tax on profit/loss for the year	2	<u>(4.127.450)</u>	<u>(716.075)</u>
Profit/loss for the year		<u>20.785.529</u>	<u>13.977.615</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		20.000.000	9.000.000
Retained earnings		<u>785.529</u>	<u>4.977.615</u>
		<u>20.785.529</u>	<u>13.977.615</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Land and buildings		20.056.156	0
Property, plant and equipment	3	20.056.156	0
Investments in group enterprises		3.975.618	12.034.623
Receivables from group enterprises		39.122.986	6.372.928
Other investments		1.365.965	1.365.965
Fixed asset investments	4	44.464.569	19.773.516
Fixed assets		64.520.725	19.773.516
Trade receivables		15.849.733	5.112.319
Other receivables		127.065	0
Receivables		15.976.798	5.112.319
Cash		10.163.634	3.867.425
Current assets		26.140.432	8.979.744
Assets		90.661.157	28.753.260

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Contributed capital		500.000	500.000
Retained earnings		1.000.588	215.059
Proposed dividend		<u>20.000.000</u>	<u>9.000.000</u>
Equity		<u>21.500.588</u>	<u>9.715.059</u>
Provisions for investments in group enterprises		<u>0</u>	<u>(385.956)</u>
Provisions		<u>0</u>	<u>(385.956)</u>
Deposits		<u>460.500</u>	<u>0</u>
Non-current liabilities other than provisions		<u>460.500</u>	<u>0</u>
Prepayments received from customers		7.045.095	0
Trade payables		18.002.686	2.683.939
Payables to group enterprises		35.992.390	15.509.188
Income tax payable		4.127.612	716.237
Other payables		1.298.816	514.793
Deferred income		<u>2.233.470</u>	<u>0</u>
Current liabilities other than provisions		<u>68.700.069</u>	<u>19.424.157</u>
Liabilities other than provisions		<u>69.160.569</u>	<u>19.424.157</u>
Equity and liabilities		<u>90.661.157</u>	<u>28.753.260</u>
Contingent liabilities	5		
Assets charged and collateral	6		
Group relations	7		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	215.059	9.000.000	9.715.059
Ordinary dividend paid	0	0	(9.000.000)	(9.000.000)
Profit/loss for the year	0	785.529	20.000.000	20.785.529
Equity end of year	500.000	1.000.588	20.000.000	21.500.588

Notes

	2017	2016
	DKK	DKK
1. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	84.704	0
	84.704	0
	2017	2016
	DKK	DKK
2. Tax on profit/loss for the year		
Current tax	4.127.450	716.075
	4.127.450	716.075
		Land and buildings DKK
3. Property, plant and equipment		
Additions		20.140.860
Cost end of year		20.140.860
Impairment losses for the year		(84.704)
Depreciation and impairment losses end of year		(84.704)
Carrying amount end of year		20.056.156

Notes

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK	Other investments DKK
4. Fixed asset investments			
Cost beginning of year	21.626.450	7.696.140	1.365.965
Additions	<u>1.000.000</u>	<u>32.750.058</u>	<u>0</u>
Cost end of year	<u>22.626.450</u>	<u>40.446.198</u>	<u>1.365.965</u>
Revaluations beginning of year	(9.591.827)	0	0
Share of profit/loss for the year	1.953.736	0	0
Dividend	(11.000.000)	0	0
Investments with negative equity value depreciated over receivables	(12.741)	0	0
Revaluations end of year	<u>(18.650.832)</u>	<u>0</u>	<u>0</u>
Impairment losses beginning of year	<u>0</u>	<u>(1.323.212)</u>	<u>0</u>
Impairment losses end of year	<u>0</u>	<u>(1.323.212)</u>	<u>0</u>
Carrying amount end of year	<u>3.975.618</u>	<u>39.122.986</u>	<u>1.365.965</u>

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Nordic Bioscience Clinical Development VII A/S	Herlev	A/S	100,0
Sanos Bioscience A/S	Herlev	A/S	100,0

5. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Nordic Bioscience Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Notes

6. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

7. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Nordic Bioscience Holding A/S, Herlev

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C enterprises.

The accounting policies applied to these 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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and cost of sales.

Revenue

Revenue from contracts concluded on the performance of clinical studies, as well as the 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.

Accounting policies

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

Revenue also consists of rental income.

Cost of sales

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

Research and development costs

Research and development costs comprise 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 costs comprise expenses 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 intra-group profits or losses.

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 the Parent and all of its 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).

Accounting policies

Balance sheet

Property, plant and equipment

Land and buildings 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.

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
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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 value 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.

Receivables

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

Accounting policies

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

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.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

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

Deferred income

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