

NORDIC BIOSCIENCE A/S

Herlev Hovedgade 205-207

2730 Herlev

Business Registration No

30799968

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

Name: Thomas Nielsen

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Entity details

Entity

NORDIC BIOSCIENCE A/S
Herlev Hovedgade 205-207
2730 Herlev

Central Business Registration No (CVR): 30799968

Founded: 13.08.2007

Registered in: Herlev

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Claus Henrik Christiansen
Thomas Nielsen
Bente Juel Christiansen

Executive Board

Morten Asser Karsdal

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 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations 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

Board of Directors

Claus Henrik Christiansen

Thomas Nielsen

Bente Juel Christiansen

Independent auditor's report

To the shareholders of NORDIC BIOSCIENCE A/S

Opinion

We have audited the financial statements of NORDIC BIOSCIENCE 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. 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 31.12.2018 and of the results of its operations 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 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, 31.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jan Larsen

State Authorised Public Accountant

Identification No (MNE) mne16541

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	231.587	161.999	113.881	66.156	21.530
Operating profit/loss	117.367	73.592	38.003	8.936	4.324
Net financials	(12.712)	(13.770)	(9.205)	(15.795)	(6.420)
Profit/loss for the year	76.335	51.070	19.629	(7.424)	1.087
Total assets	227.614	189.592	185.708	177.743	172.954
Investments in property, plant and equipment	5.027	3.451	5.915	0	57
Equity	104.801	78.446	27.369	7.640	15.172
Ratios					
Return on equity (%)	83,3	96,5	112,1	(65,1)	7,2
Equity ratio (%)	46,0	41,4	14,7	4,3	8,8

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

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

Management commentary

Primary activities

The object of the Company is to operate within biotechnology and other related business, including to own subsidiaries and related investments.

Development in activities and finances

The Company's income statement for the year ended 31.12.2018 shows a profit of DKK 76.334.939 while the balance sheet shows equity of DKK 104.801.323 at 31.12.2018. The result is in line with the expectations, which the management expressed in the Annual report for 2017.

Research and development activities

The Company carries out research and development within the pharmaceutical sector. The activities are focused on biochemical markers, which are typically used to help diagnose or predict the development of various diseases.

The key to the Company's success is a staff of more than 125 employees, of whom more than 100 employees are directly engaged in the research and development activities. The Company seeks to foster a unique and competitive environment with freedom to explore scientific ideas. We believe in publishing our scientific results and publish more than 50 scientific publications a year in the highest ranked specialist journals.

External environment

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

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 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK'000</u>
Gross profit		231.586.530	161.999
Research and development costs	1	(88.447.825)	(63.485)
Administrative expenses	1	<u>(25.772.073)</u>	<u>(24.922)</u>
Operating profit/loss		117.366.632	73.592
Income from investments in group enterprises		(11.013.233)	(321)
Other financial income	2	5.853.470	26
Other financial expenses		<u>(7.551.929)</u>	<u>(13.475)</u>
Profit/loss before tax		104.654.940	59.822
Tax on profit/loss for the year	3	<u>(28.320.001)</u>	<u>(8.752)</u>
Profit/loss for the year	4	<u>76.334.939</u>	<u>51.070</u>

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Land and buildings		50.896.137	50.926
Other fixtures and fittings, tools and equipment		12.755.349	12.787
Leasehold improvements		31.182	51
Property, plant and equipment	5	63.682.668	63.764
Investments in group enterprises		0	0
Fixed asset investments	6	0	0
Fixed assets		63.682.668	63.764
Trade receivables		71.554.506	47.737
Contract work in progress		8.662.093	0
Receivables from group enterprises		55.652.395	61.886
Deferred tax		1.366.338	13.666
Other receivables		5.211.046	381
Prepayments	7	1.999.999	2.158
Receivables		144.446.377	125.828
Cash		19.485.080	0
Current assets		163.931.457	125.828
Assets		227.614.125	189.592

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK'000</u>
Contributed capital		10.000.000	10.000
Retained earnings		34.801.323	18.446
Proposed dividend		60.000.000	50.000
Equity		<u>104.801.323</u>	<u>78.446</u>
Mortgage debt		15.558.946	16.748
Non-current liabilities other than provisions	8	<u>15.558.946</u>	<u>16.748</u>
Current portion of long-term liabilities other than provisions	8	1.200.000	1.200
Bank loans		0	108
Prepayments received from customers		19.632.549	29.159
Trade payables		6.192.735	14.061
Payables to group enterprises		40.871.020	33.029
Joint taxation contribution payable		16.020.330	3.994
Other payables		23.337.222	12.847
Current liabilities other than provisions		<u>107.253.856</u>	<u>94.398</u>
Liabilities other than provisions		<u>122.812.802</u>	<u>111.146</u>
Equity and liabilities		<u>227.614.125</u>	<u>189.592</u>
Contingent liabilities	9		
Assets charged and collateral	10		
Transactions with related parties	11		
Group relations	12		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	10.000.000	18.446.433	50.000.000	78.446.433
Ordinary dividend paid	0	0	(50.000.000)	(50.000.000)
Exchange rate adjustments	0	19.951	0	19.951
Profit/loss for the year	0	16.334.939	60.000.000	76.334.939
Equity end of year	10.000.000	34.801.323	60.000.000	104.801.323

Notes

	2018	2017
	DKK	DKK'000
1. Staff costs		
Wages and salaries	62.420.268	45.940
Other staff costs	1.105.740	1.008
	63.526.008	46.948
 Average number of employees	 103	 78
 2. Other financial income	 2018	 2017
	DKK	DKK'000
Financial income arising from group enterprises	4.770.769	0
Other interest income	8.828	26
Exchange rate adjustments	1.073.873	0
	5.853.470	26
 3. Tax on profit/loss for the year	 2018	 2017
	DKK	DKK'000
Current tax	16.020.330	3.994
Change in deferred tax	12.299.671	4.272
Adjustment concerning previous years	0	486
	28.320.001	8.752
 4. Proposed distribution of profit/loss	 2018	 2017
	DKK	DKK'000
Ordinary dividend for the financial year	60.000.000	50.000
Retained earnings	16.334.939	1.070
	76.334.939	51.070

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
5. Property, plant and equipment			
Cost beginning of year	55.413.825	26.065.405	3.053.295
Additions	1.204.770	3.822.555	0
Cost end of year	56.618.595	29.887.960	3.053.295
Depreciation and impairment losses beginning of year	(4.487.975)	(13.277.757)	(3.001.573)
Depreciation for the year	(1.234.483)	(3.854.854)	(20.540)
Depreciation and impairment losses end of year	(5.722.458)	(17.132.611)	(3.022.113)
Carrying amount end of year	50.896.137	12.755.349	31.182
			Invest- ments in group enterprises DKK
6. Fixed asset investments			
Cost beginning of year			43.005.669
Cost end of year			43.005.669
Impairment losses beginning of year			(43.005.669)
Exchange rate adjustments			19.951
Share of profit/loss for the year			(11.013.233)
Investments with negative equity value depreciated over receivables			10.993.282
Impairment losses end of year			(43.005.669)
Carrying amount end of year			0

Notes

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Nordic Bioscience Beijing Ltd.	Beijing	Ltd.	100,0
Rheoscience ApS	Herlev	ApS	72,9

7. Prepayments

Prepayments comprises incurred costs relating to subsequent financial years.

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
8. Liabilities other than provisions				
Mortgage debt	1.200.000	1.200	15.558.946	10.920.862
	1.200.000	1.200	15.558.946	10.920.862

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where 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.

10. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties at a book value of DKK 50.896.137

11. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis in addition to the above transactions.

12. 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 C enterprises (medium).

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue.

Accounting policies

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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).

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, net capital or exchange 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 or exchange 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.

Balance sheet

Property, plant and equipment

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

Accounting policies

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
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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 plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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 will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 writedowns for bad and doubtful debts.

Accounting policies

Contract work in progress

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

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 finance costs are recognised in the income statement as incurred.

Deferred tax

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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.

Accounting policies

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

I henhold til årsregnskabslovens §86, stk.4, er pengestrømmesopgørelsen undladt. Der henvises til øvre liggende koncernregnskab for Nordic Bioscience Holding A/S.