Stork IVF Klinik A/S

Store Kongensgade 38, 1. th.
1264 København K
Denmark

CVR no. 33 03 49 11

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

3 June 2019

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chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Stork IVF Klinik A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 3 June 2019
Executive Board:

Trine Bartholdy Christensen
CEO

Board of Directors:

Christoph Sebastian Ahrens Chairman	Johannes Röhren	Trine Bartholdy Christensen

Independent auditor's report

To the shareholder of Stork IVF Klinik A/S

Opinion

We have audited the financial statements of Stork IVF Klinik A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet and notes, including 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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

- identify and assess the risks of material misstatement of the company 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

Independent auditor's report

effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review 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's review.

Copenhagen, 3 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

Management's review

Company details

Stork IVF Klinik A/S
Store Kongensgade 38, 1. th.
1264 København K
Denmark

CVR no.:	33 03 49 11
Established:	14 June 2010
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Christoph Sebastian Ahrens, Chairman
Johannes Röhren
Trine Bartholdy Christensen

Executive Board

Trine Bartholdy Christensen, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The Company's principal activity is to operate the IVF clinic.

Development in activities and financial position

The income statement of the Company for 2018 shows a loss of DKK 2,365,101 and at 31 December 2018, the balance sheet of the Company shows equity of DKK 6,025,646.

The result for the year is not considered satisfactory.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occured after the balance sheet date.

Unusual circumstances

The financial position at 31 December 2018 of the Company and the results of the Company operations for the financial year 2018 have not been affected by any unusual events.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit		28,316,879	31,231,395
Staff costs	2	-25,904,836	-22,789,000
Depreciation, amortisation and impairment		-5,179,671	-5,213,981
Operating profit/loss		-2,767,628	3,228,414
Financial income	3	28,823	0
Financial expenses	4	-199,815	-225,129
Profit/Loss before tax		-2,938,620	3,003,285
Tax on profit for the year	5	573,519	-587,827
Loss for the year		-2,365,101	2,415,458

Proposed profit appropriation/distribution of loss

Proposed dividends for the year	2,500,000	4,500,000
Retained earnings	-4,865,101	-2,084,542
	-2,365,101	2,415,458

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	6		
Goodwill		16,884,324	20,636,397
Property, plant and equipment	7		
Fixtures and fittings, tools and equipment		3,752,599	5,007,586
Leasehold improvements		225,755	368,640
		3,978,354	5,376,226
Investments			
Deposits		1,036,690	1,022,468
Total fixed assets		21,899,368	27,035,091
Current assets			
Inventories			
Raw materials and consumables		520,407	1,030,136
Receivables			
Trade receivables		1,688,778	1,388,676
Other receivables		9,896	0
Deferred tax asset		314,892	0
Prepayments		271,595	334,600
		2,285,161	1,723,276
Cash at bank and in hand		653,197	996,978
Total current assets		3,458,765	3,750,390
TOTAL ASSETS		25,358,133	30,785,481

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2018	2017
EQUITY AND LIABILITIES			
Equity	8		
Contributed capital		1,900,000	1,900,000
Retained earnings		1,625,646	6,490,747
Proposed dividends for the financial year		2,500,000	4,500,000
Total equity		6,025,646	12,890,747
Provisions			
Provisions for deferred tax		0	331,604
Total provisions		0	331,604
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		13,826,496	10,575,059
Trade payables		1,079,157	1,545,646
Payables to group entities		948,406	987,910
Corporation tax		0	1,544,174
Other payables		3,478,428	2,910,341
		19,332,487	17,563,130
Total liabilities other than provisions		19,332,487	17,563,130
TOTAL EQUITY AND LIABILITIES		25,358,133	30,785,481
Contractual obligations, contingencies, etc.	9		
Related party disclosures	10		

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Stork IVF Klinik A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in of specific provisions for reporting class C.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue from the sale of services, is recognised on a straight-line basis in the income statement as the services are provided.

Expenses for raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generation the year's revenue.

Other external costs

Other external costs comprise costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and tangible assets.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with Vivaneo DK ApS and its subsidiaries. The current Danish corporation tax is allocated in proportion to their taxable income (full absorption with refunds for tax losses). This means that companies with tax losses receive refunds from the other jointly taxed companies.

Balance sheet

Intangible assets

Intangible assets are initially measured at cost.

Subsequently, goodwill acquired are measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life. The estimated useful lives are 8 years.

Rights are amortized over the estimated useful life, which is estimated to 5 years.

Gains and losses on the disposal of intangible assets are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Leasehold improvements, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions comprise anticipated costs of deferred tax. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to non-deductible items where the temporary differences arise at the date of acquisition without affecting either profit or taxable income.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

2 Staff costs

DKK	2018	2017
Wages and salaries	23,648,802	20,723,224
Pensions	1,583,694	1,274,864
Other social security costs	241,696	231,942
Other staff costs	430,644	558,970
	25,904,836	22,789,000
Average number of full-time employees	38	36

3 Financial income

Interest income from group entities	28,823	0
	28,823	0

4 Financial expenses

Interest expense to group entities	0	145,165
Other financial costs	199,815	79,964
	199,815	225,129

5 Tax on profit for the year

Current tax for the year	0	490,952
Deferred tax for the year	-646,496	96,875
Adjustment of deferred tax concerning previous yea	72,977	0
	-573,519	587,827

Financial statements 1 January – 31 December

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6 Intangible assets

DKK	Goodwill
Cost at 1 January 2018	30,016,577
Cost at 31 December 2018	30,016,577
Amortisation and impairment losses at 1 January 2018	-9,380,180
Amortisation for the year	-3,752,073
Amortisation and impairment losses at 31 December 2018	-13,132,253
Carrying amount at 31 December 2018	16,884,324

7 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2018	9,544,203	2,905,597
Additions for the year	312,399	0
Disposals for the year	-326,161	0
Cost at 31 December 2018	9,530,441	2,905,597
Depreciation and impairment losses at 1 January 2018	-4,536,617	-2,536,957
Depreciation for the year	-1,241,225	-142,885
Depreciation and impairment losses at 31 December 2018	-5,777,842	-2,679,842
Carrying amount at 31 December 2018	3,752,599	225,755

8 Equity

DKK	Contributed capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2018	1,900,000	6,490,747	4,500,000	12,890,747
Distributed dividends	0	0	-4,500,000	-4,500,000
Transferred over the profit appropriation	0	-4,865,101	2,500,000	-2,365,101
Equity at 31 December 2018	1,900,000	1,625,646	2,500,000	6,025,646

The contributed capital consists of 1,900 shares of a nominal value of DKK 1,000 each.

All shares rank equally.

Financial statements 1 January – 31 December

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9 Contractual obligations, contingencies, etc.

The Company is jointly taxed with its Parent Company, VivaNeo DK ApS (management company), and is jointly and severally liable with the other jointly taxed entities for the payment of income taxes, taxes on dividends and interests.

The company is co-guarantor of a syndicated loan of EUR 34.4 million to GF Gesundheit GmbH

DKK	2018	2017
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,002,132	139,926
Between 1 and 5 years	2,914,867	139,588

Interminable rental agreements up to 7 years: t.DKK 3,957 (2017: t.DKK 4,670)

10 Related party disclosures

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the share capital:

VivaNeo DK ApS
Store Kongensgade 38, 1.
DK-1264 Copenhagen

Consolidated financial statements

The company is part of the consolidated Financial Statements of VivaNeo Deutschland GmbH, Frankfurter Strasse 9, DE-65428 Rüsselsheim, Germany.
Consolidated Financial Statements can be obtained by conctact to the company on the above mentioned address.