

## **NB Herlev Holding ApS**

Herlev Hovedgade 207

2730 Herlev

Central Business Registration

No 37126306

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 14.06.2019

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

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Name: Thomas Nielsen

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## Entity details

### Entity

NB Herlev Holding ApS  
Herlev Hovedgade 207  
2730 Herlev

Central Business Registration No: 37126306

Founded: 20.09.2015

Registered in: Herlev

Financial year: 01.01.2018 - 31.12.2018

### Executive Board

Thomas Nielsen

### 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 NB Herlev Holding ApS 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, 14.06.2019

### Executive Board

Thomas Nielsen

# Independent auditor's report

## To the shareholders of NB Herlev Holding ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of NB Herlev Holding ApS 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, 14.06.2019

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

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

## Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000
<b>Financial highlights</b>			
<b>Key figures</b>			
Gross profit	222.652	0	0
Operating profit/loss	81.728	0	0
Net financials	(41.304)	0	0
Profit/loss for the year	5.403	0	0
Total assets	514.289	0	0
Investments in property, plant and equipment	114.920	0	0
Equity incl minority interests	134.861	0	0
Gross profit before group establishment	N/A	(13)	(13)
Profit/loss before group establishment	N/A	(13)	(13)
Total assets before group establishment	N/A	79.466	75.750
Equity before group establishment	N/A	79.441	75.737

### Ratios

Return on equity (%)	4,0	0,0	0,0
Equity ratio (%)	26,2	-	-

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

Ratios	Calculation formula	Ratios
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 other companies and related activity. The most material investment is in Nordic Bioscience Holding A/S which carry out research and development within the pharmaceutical sector.

### The group's business activities

The Group is established in the financial year when the Company acquired the majority interest in Nordic Bioscience Holding A/S.

The main activities of the group are research and development within the pharmaceutical sector. The research and development are performed both for own and for third parties on contract basis and consist of both clinical and preclinical research.

For a more detailed description we refer to the consolidated financials of Nordic Bioscience Holding A/S.

### Development in activities and finances

The Parent Company's income statement for the year ended 31.12.2018 shows a profit of DKK 524.985 and the balance sheet shows equity of DKK 91.145.917 at 31.12.2018. The result for the year is affected by amortization of goodwill related to the acquisition of the interest in Nordic Bioscience Holding A/S with DKK 27.013.175.

The consolidated financials for the year include the consolidated accounts for Nordic Bioscience Holding A/S from April 1<sup>st</sup> 2018.

The Group's income statement for the year ended 31.12.2018 shows a profit of DKK 5.403.221 and the balance sheet shows equity of DKK 91.145.917 at 31.12.2018.

The management expects earnings to be positive in 2019.

### 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.

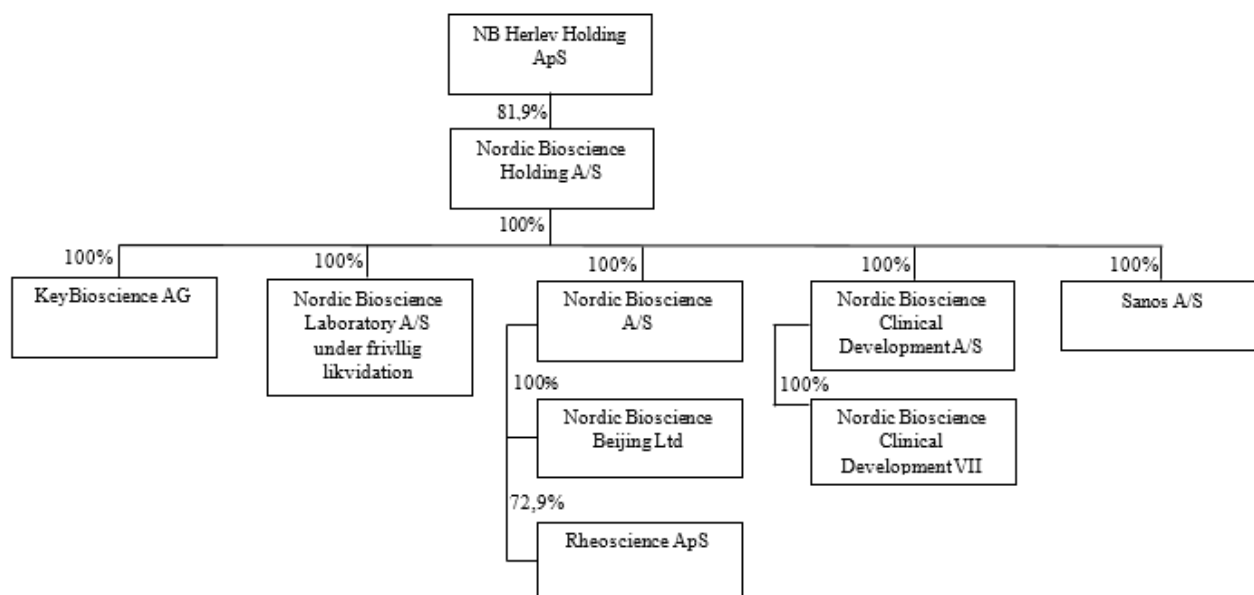
The key to the Group's success is our more than 190 employees, whereby more than 150 are directly engaged in research and development activities. The Group seeks to foster a unique and competitive environment with freedom to explore scientific ideas. We believe in publishing our scientific results and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

## Consolidated income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>
<b>Gross profit</b>		<b>222.652.128</b>
Research and development costs	1	(124.288.437)
Administrative costs		(16.635.563)
<b>Operating profit/loss</b>		<b>81.728.128</b>
Income from investments in group enterprises		(27.013.175)
Other financial expenses		(14.291.233)
<b>Profit/loss before tax</b>		<b>40.423.720</b>
Tax on profit/loss for the year	2	(35.020.499)
<b>Profit/loss for the year</b>	3	<b>5.403.221</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>
Acquired intangible assets		38.347.818
Goodwill		153.074.660
<b>Intangible assets</b>	4	<b>191.422.478</b>
Land and buildings		92.614.459
Other fixtures and fittings, tools and equipment		18.998.423
<b>Property, plant and equipment</b>	5	<b>111.612.882</b>
Other investments		1.365.965
Deferred tax		2.052.792
<b>Fixed asset investments</b>	6	<b>3.418.757</b>
<b>Fixed assets</b>		<b>306.454.117</b>
Trade receivables		87.334.032
Contract work in progress	7	8.662.093
Other receivables		15.612.228
<b>Receivables</b>		<b>111.608.353</b>
Other investments		81.945.692
<b>Other investments</b>		<b>81.945.692</b>
<b>Cash</b>		<b>14.280.565</b>
<b>Current assets</b>		<b>207.834.610</b>
<b>Assets</b>		<b>514.288.727</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>
Contributed capital		2.167.035
Retained earnings		88.978.882
<b>Equity attributable to the Parent's owners</b>		<b>91.145.917</b>
<b>Share of equity attributable to minority interests</b>		<b>43.714.972</b>
<b>Equity</b>		<b>134.860.889</b>
Mortgage debts		33.293.051
<b>Non-current liabilities other than provisions</b>	8	<b>33.293.051</b>
Current portion of long-term liabilities other than provisions	8	1.200.000
Trade payables		25.123.661
Payables to shareholders and management		256.471.736
Income tax payable		9.299.644
Other payables		31.865.563
Deferred income		22.174.183
<b>Current liabilities other than provisions</b>		<b>346.134.787</b>
<b>Liabilities other than provisions</b>		<b>379.427.838</b>
<b>Equity and liabilities</b>		<b>514.288.727</b>
Mortgages and securities	10	
Subsidiaries	11	

## Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK
Equity beginning of year	2.149.912	77.315.758	(25.000)	0
Effect of mergers and business combinations	0	0	0	113.410.009
Increase of capital	17.123	582.182	0	0
Transferred from share premium	0	(77.897.940)	77.897.940	0
Ordinary dividend paid	0	0	0	(66.749.889)
Other equity postings	0	0	11.630.927	(8.873.354)
Profit/loss for the year	0	0	(524.985)	5.928.206
<b>Equity end of year</b>	<b>2.167.035</b>	<b>0</b>	<b>88.978.882</b>	<b>43.714.972</b>

	<b>Total DKK</b>
Equity beginning of year	79.440.670
Effect of mergers and business combinations	113.410.009
Increase of capital	599.305
Transferred from share premium	0
Ordinary dividend paid	(66.749.889)
Other equity postings	2.757.573
Profit/loss for the year	5.403.221
<b>Equity end of year</b>	<b>134.860.889</b>

## Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>
Operating profit/loss		63.186.437
Amortisation, depreciation and impairment losses		14.475.054
Working capital changes	9	(411.346.405)
<b>Cash flow from ordinary operating activities</b>		<b>(333.684.914)</b>
Financial income paid		(7.290.155)
Income taxes refunded/(paid)		(2.065.675)
<b>Cash flows from operating activities</b>		<b>(343.040.744)</b>
Acquisition etc of property, plant and equipment		(9.632.458)
Sale of fixed asset investments		1.013.362
<b>Cash flows from investing activities</b>		<b>(8.619.096)</b>
Instalments on loans etc		(1.455.832)
Dividend paid		(66.749.889)
Other adjustments		10.136.586
<b>Cash flows from financing activities</b>		<b>(58.069.135)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(409.728.975)</b>
Cash and cash equivalents beginning of year		505.955.232
<b>Cash and cash equivalents end of year</b>		<b>96.226.257</b>
Cash and cash equivalents at year-end are composed of:		
Cash		14.280.565
Securities		81.945.692
<b>Cash and cash equivalents end of year</b>		<b>96.226.257</b>

## Notes to consolidated financial statements

	<b>2018 DKK</b>
<b>1. Staff costs</b>	
Wages and salaries	78.003.495
Pension costs	3.980.637
Other social security costs	301.368
	<b>82.285.500</b>
 Average number of employees	 <b>160</b>
	<b>Remunera- tion of manage- ment 2018 DKK</b>
Total amount for management categories	5.619.906
	<b>5.619.906</b>
	<b>2018 DKK</b>
<b>2. Tax on profit/loss for the year</b>	
Tax on current year taxable income	9.445.299
Change in deferred tax for the year	23.221.106
Adjustment concerning previous years	2.354.094
	<b>35.020.499</b>
	<b>2018 DKK</b>
<b>3. Proposed distribution of profit/loss</b>	
Retained earnings	(524.985)
Minority interests' share of profit/loss	5.928.206
	<b>5.403.221</b>



## Notes to consolidated financial statements

	Acquired intangible assets DKK	Goodwill DKK
<b>4. Intangible assets</b>		
Addition through business combinations etc	52.634.899	180.087.835
Exchange rate adjustments	(5.098.205)	0
<b>Cost end of year</b>	<b>47.536.694</b>	<b>180.087.835</b>
Exchange rate adjustments	1.020.589	0
Amortisation for the year	(10.209.465)	(27.013.175)
<b>Amortisation and impairment losses end of year</b>	<b>(9.188.876)</b>	<b>(27.013.175)</b>
<b>Carrying amount end of year</b>	<b>38.347.818</b>	<b>153.074.660</b>
	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
<b>5. Property, plant and equipment</b>		
Addition through business combinations etc	91.733.777	12.349.358
Exchange rate adjustments	958.108	0
Additions	1.204.770	9.632.458
<b>Cost end of year</b>	<b>93.896.655</b>	<b>21.981.816</b>
Impairment losses for the year	(1.282.196)	0
Depreciation for the year	0	(2.983.393)
<b>Depreciation and impairment losses end of the year</b>	<b>(1.282.196)</b>	<b>(2.983.393)</b>
<b>Carrying amount end of year</b>	<b>92.614.459</b>	<b>18.998.423</b>
	Other investments DKK	Deferred tax DKK
<b>6. Fixed asset investments</b>		
Addition through business combinations etc	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>

## Notes to consolidated financial statements

	<b>2018 DKK</b>	
<b>7. Contract work in progress</b>		
Contract work in progress	8.662.093	
	<b>8.662.093</b>	
	<b>Instalments within 12 months 2018 DKK</b>	<b>Instalments beyond 12 months 2018 DKK</b>
<b>8. Liabilities other than provisions</b>		
Mortgage debts	1.200.000	33.293.051
	<b>1.200.000</b>	<b>33.293.051</b>
	<b>2018 DKK</b>	
<b>9. Change in working capital</b>		
Increase/decrease in receivables	19.283.879	
Increase/decrease in trade payables etc	(67.937.699)	
Other changes	(362.692.585)	
	<b>(411.346.405)</b>	

### 10. Mortgages and securities

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

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>
<b>11. Subsidiaries</b>			
Nordic Bioscience Holding A/S	Herlev, DK	A/S	81,9

## Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross profit</b>		<b>0</b>	<b>0</b>
Administrative costs		(65.664)	(12.500)
<b>Operating profit/loss</b>		<b>(65.664)</b>	<b>(12.500)</b>
Income from investments in group enterprises	2	(456.729)	0
Other financial expenses		(2.592)	0
<b>Profit/loss for the year</b>	3	<b>(524.985)</b>	<b>(12.500)</b>

## Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Investments in group enterprises		347.199.562	79.465.670
<b>Fixed asset investments</b>	4	<b>347.199.562</b>	<b>79.465.670</b>
<b>Fixed assets</b>		<b>347.199.562</b>	<b>79.465.670</b>
Cash		252.226	0
<b>Current assets</b>		<b>252.226</b>	<b>0</b>
<b>Assets</b>		<b>347.451.788</b>	<b>79.465.670</b>

## Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		2.167.035	2.149.912
Share premium		0	77.315.758
Retained earnings		88.978.882	(25.000)
<b>Equity</b>		<b>91.145.917</b>	<b>79.440.670</b>
Payables to shareholders and management		256.235.871	0
Other payables		70.000	25.000
<b>Current liabilities other than provisions</b>		<b>256.305.871</b>	<b>25.000</b>
<b>Liabilities other than provisions</b>		<b>256.305.871</b>	<b>25.000</b>
<b>Equity and liabilities</b>		<b>347.451.788</b>	<b>79.465.670</b>
Staff costs	1		
Contingent liabilities	5		
Transactions with related parties	6		

## Parent statement of changes in equity for 2018

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.149.912	77.315.758	(25.000)	79.440.670
Increase of capital	17.123	582.182	0	599.305
Transferred from share premium	0	(77.897.940)	77.897.940	0
Other equity postings	0	0	11.630.927	11.630.927
Profit/loss for the year	0	0	(524.985)	(524.985)
<b>Equity end of year</b>	<b>2.167.035</b>	<b>0</b>	<b>88.978.882</b>	<b>91.145.917</b>

## Notes to parent financial statements

	<b>2018</b>	<b>2017</b>
<b>1. Staff costs</b>		
Average number of employees	<b>0</b>	<b>0</b>
<b>2. Income from investments in group enterprises</b>		
		<b>2018 DKK</b>
Amortisation of goodwill		(27.013.175)
Share of profit/loss for the year		26.556.446
		<b>(456.729)</b>
	<b>2018 DKK</b>	<b>2017 DKK</b>
<b>3. Proposed distribution of profit/loss</b>		
Retained earnings	(524.985)	(12.500)
	<b>(524.985)</b>	<b>(12.500)</b>
<b>4. Fixed asset investments</b>		<b>Investments in group enterprises DKK</b>
Cost beginning of year		79.465.670
Additions		594.557.845
Disposals		(1.575.482)
<b>Cost end of year</b>		<b>672.448.033</b>
Amortisation of goodwill		(27.013.175)
Share of profit/loss for the year		26.556.446
Dividend		(336.422.669)
Other adjustments		11.630.927
<b>Impairment losses end of year</b>		<b>(325.248.471)</b>
<b>Carrying amount end of year</b>		<b>347.199.562</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 2018 for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

## Notes to parent financial statements

### 6. Transactions with related parties

Referring to section 98c(7) of the Danish Financial Statements Act, NB Herlev Holding ApS 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).

### 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.

### 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.

## Accounting policies

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

#### Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### 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.

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

## Accounting policies

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.

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.

## Accounting policies

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.

### 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.

### 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.

## Accounting policies

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.