Synarc A/S

Ballerup Byvej 222, 2750 Ballerup CVR no. 21 14 27 43

Annual report 2015

Approved at the annual general meeting of shareholders on 10 June 2016

Chairman:

Søren Hyllekvist

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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 Synarc A/S for the financial year 1 January - 31 December 2015.

The annual report is 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 financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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.

Ballerup, 10 June 2016 Executive Board:

David Eugene Peters

Board of Directors:

Søren Hyllekvist Chairman

David Eugene Peters

Hans Christian Hoeck

Independent auditors' report

To the shareholders of Synarc A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Synarc A/S for the financial year 1 January - 31 December 2015, which comprise an 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.

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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 10 June 2016 ERNST & YOUNG Godkendt Revisionspartnerselskab CVR No. 30 70 02 28

Christian Schwenn Johansen State Authorised Public Accountant

State Authorised Public Accountant

Management's review

Company details	
Name Address, Postal code, City	Synarc A/S Ballerup Byvej 222, 2750 Ballerup
CVR No. Established Registered office Financial year	21 14 27 43 1 September 1998 Ballerup 1 January - 31 December
Board of Directors	Søren Hyllekvist, Chairman David Eugene Peters Hans Christian Hoeck
Executive Board	David Eugene Peters
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark

Management's review

Operating review

The Company's business review

Synarc A/S is part of a global organisation offering a range of specialised services within clinical drug development. As a service provider, Synarc works with pharmaceutical and biotechnology companies on expediting drug development by applying sophisticated imaging and biomarker technologies.

Financial review

The loss for the year of DKK 5.261 is below the expectations indicated by Management in the annual report for the financial year 2014.

Knowledge resources

The Company's primary activities are as mentioned under the section "The Company's business review" to establish and run research to perform clinical studies mainly in the fields of osteoporosis, obesity, cardiovascular diseases and other related diseases.

The results of these clinical studies are marketed to other research center's, universities, hospitals and pharmaceutical companies. To market the results of such clinical studies, it is a pivotal factor that the Company applies the latest professional knowledge in these areas. The staff members upgrade their skills regularly so that they are able to do research on a high scientific level. Moreover, the Company uses guest scientists, if necessary.

Special risks

Business risk

The Company's service offerings include image and molecular marker analysis in the lift science research field, which is charactarized by rapid technology advances and changes in customer requirements. The success of the Company depends on Management's ability to anticipate or to quickly and adequately respond to technological developments in its industry and chagnes in customer requirements or industry standards. Any significant delays in the development or introduction of services could have a material adverse effect on the Company's business and operating results.

Currency exposure

The company is exposed to fluctuations in the USD exchange rate due to intercompany balances nominated in USD.

Financial risk

At 31 December 2015, the Company's equity ratio was 21% compared to 17% at year-end 2014. The Company is to a wide extent financed by way of short-term loans made available by Synarc Inc., USA.

The parent company has confirmed that they will continue to provide the necessary financial support in order for the Company to pay their obligations as they fall due.

Impact on the external environment

The Company is a service provider and does not impact the environment significantly. The Company is not involved in any legal matters due to environmental circumstances.

Research and development activities

The Company has not had significant research and development costs in 2015.

Foreign branches

The Company has a branch in Germany.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Management's review

Operating review

Outlook

Management expects the Company to be profitable in the coming financial year.

Income statement

Note	DKK'000	2015	2014
	Revenue Cost of sales Other external expenses	6,240 -3,202 -1,711	6,346 -1,851 -2,031
2 3	Gross profit Staff costs Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	1,327 -2,641 -13	2,464 -4,030 -52
4	Operating profit/loss Income from investments in group entities Financial income Financial expenses	-1,327 15,966 961 -26,210	-1,618 21,336 956 -25,370
6	Profit/loss before tax Tax for the year	-10,610 5,349	-4,696 6,431
	Profit/loss for the year	-5,261	1,735
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-5,261	1,735
		-5,261	1,735

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
7	Property, plant and equipment		10
	Other fixtures and fittings, tools and equipment	93	13
		93	13
8	Investments		
	Investments in group entities	341,545	322,708
	Other receivables	42	42
		341,587	322,750
	Total non-current assets	341,680	322,763
	Current assets		
	Receivables		
	Trade receivables	4,050	1,335
	Receivables from group entities	240,140	383,072
	Deferred tax assets	6,054	4,258
	Income taxes receivable	8,589	9,363
	Other receivables	41	239
		258,874	398,267
	Cash	2,360	1,495
	Total current assets	261,234	399,762
	TOTAL ASSETS	602,914	722,525

Balance sheet

Note	DKK'000	2015	2014
9	EQUITY AND LIABILITIES Equity Share capital Retained earnings	10,000 111,929	10,000 114,319
	Total equity	121,929	124,319
	Liabilities other than provisions Current liabilities other than provisions Prepayments received from customers Trade payables Payables to group entities Income taxes payable Other payables	198 277 479,822 280 408 480,985	382 4 596,617 206 997 598,206
	Total liabilities other than provisions	480,985	598,206
	TOTAL EQUITY AND LIABILITIES	602,914	722,525

Accounting policies
Contractual obligations and contingencies, etc.
Related parties

Statement of changes in equity

Share capital	Retained earnings	Total
10,000	114,319	124,319
0	-5,261	-5,261
0	2,871	2,871
10,000	111,929	121,929
	10,000 0 0	Share capital earnings 10,000 114,319 0 -5,261 0 2,871

Notes to the financial statements

1 Accounting policies

The annual report of Synarc A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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

Consolidated financial statements

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Synarc A/S and subsidiaries are included in the consolidated financial statements of WSHP JLL Intermediate, LLC, USA.

Recognition and measurement in general

Assets are recognized 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 recognized 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 recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognized directly in equity.

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue from contracts concluded concerning 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.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

Amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortization, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Other fixtures and fittings, tools and equipment

3-5 years

Income from investments in group entities

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Notes to the financial statements

1 Accounting policies (continued)

Tax

The parent company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The parent company is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax charge is allocated between the jointly taxed enterprises in proportion to their taxable income. Enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current corporation tax, joint taxation contributions for the year and changes in deferred tax for the year – including changes resulting from changes in the tax rate. The tax expense relating to the profit/loss 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.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in group entities

On initial recognition, investments in subsidiaries and associates are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Subsidiaries and associates with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions If the parent company has a legal or a constructive obligation to cover the enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

Acquisitions of new subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of revaluations made is taken into account.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortized over its estimated useful life which is normally 5 years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortization period is considered to give a better reflection of the bene-fit from the relevant resources.

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash at hand and in bank

Cash at hand and in bank comprise cash and bank deposits.

Corporation 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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent is liable for the subsisidaries' income taxes vis-à-vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivables are recognised in the balance sheet as income tax receivable or payable.

Liabilities

Financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Other liabilities are measured at net realisable value.

Notes to the financial statements

	DKK'000	2015	2014
2	Staff costs Wages/salaries Other social security costs Other staff costs	2,633 0 8	3,417 435 178
		2,641	4,030
	DKK'000	2015	2014
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	13	52
		13	52
	DKK'000	2015	2014
4	Financial income Interest receivable, group entities	961	956
		961	956
	DKK'000	2015	2014
5	Financial expenses Interest expenses, group entities Exchange adjustments Other financial expenses	4,569 21,615 26	2,591 22,760 19
		26,210	25,370
	DKK'000	2015	2014
6	Tax for the year Estimated tax charge for the year Deferred tax adjustments in the year Tax adjustments, prior years	280 -5,629 0	-6,426 29 -34
		-5,349	-6,431

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2015 Additions in the year	2,233 93
Cost at 31 December 2015	2,326
Impairment losses and depreciation at 1 January 2015 Amortisation/depreciation in the year	2,220 13
Impairment losses and depreciation at 31 December 2015	2,233
Carrying amount at 31 December 2015	93

Notes to the financial statements

8 Investments

l alt	Other receivables	Investments in group entities	DKK'000
430,334	42	430,292	Cost at 1 January 2015
430,334	42	430,292	Cost at 31 December 2015
-107,584 28,543 2,871 -12,577	0 0 0	-107,584 28,543 2,871 -12,577	Value adjustments at 1 January 2015 Share of the profit/loss after tax Exchange rate adjustments Amortisation of goodwill
-88,747	0	-88,747	Value adjustments at 31 December 2015
341,587	42	341,545	Carrying amount at 31 December 2015
Interest	Domicile	Legal form	
			Subsidiaries
100.00 %	Ballerup, Denmark	A/S	Center for Clinical and Basic Research A/S
2014	2015		DKK'000
			Share capital
			The share capital consists of the following:
10 000			10.000 shares of DKK 1.000.00 sach
10,000	10,000		10,000 shares of DKK 1,000.00 each

The Company's share capital has remained DKK 10,000 thousand over the past 5 years.

Financing

9

At 31 December 2015, the Company's equity ratio was 21% compared to 17% at year-end 2014. The Company is to a wide extent financed by way of short-term loans made available by Synarc Inc., USA.

The Company's short-term liabilities totalled DKK 481 million, compared to current assets of DKK 261 million, at 31 December 2015. The Company's aggregate short-term liabilities primarily consist of payables to group entities, DKK 480 million. The parent company has confirmed that they will continue to provide the necessary financial support in order for the Company to pay their obligations as they fall due.

10 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company's shares in Center for Clinical and Basic Research A/S are pledged as security for bank loans in other group companies.

Other contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for theses companies.

Notes to the financial statements

11 Related parties

Synarc A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control	
Synarc inc.	7707 Gateway Boulevard, 3rd floor, Newark CA 94560, USA	Shareholder	

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
WSHP JLL Intermediate, LLC, USA	2711 Centerville Rd., DE 19808, USA	WSHP JLL Intermediate, LLC, USA

Ownership

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

Name	Domicile
Synarc Inc., USA	7707 Gateway Boulevard, 3rd floor, Newark
	CA 94560, USA
WSHP III Intermediate IIC USA owns all the shares	

WSHP JLL Intermediate, LLC, USA owns all the shares in Synarc Inc.