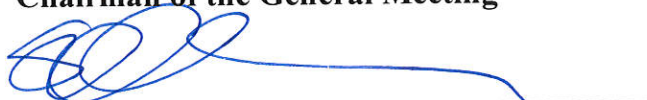


**P/S Sunstone Biomedicinsk Venture III
Central Business Registration No
25884132
Lautrupsgade 7,5
2100 Copenhagen Ø**

Annual report 2015

The Annual General Meeting adopted the annual report on 25.02.2016

Chairman of the General Meeting



Name: Merete Lundbye Møller

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Entity details

Entity

P/S Sunstone Biomedicinsk Venture III
Lautrupsgade 7,5
2100 Copenhagen Ø

Central Business Registration No: 25884132
Registered in: Copenhagen
Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Merete Lundbye Møller, chairwoman
Søren Lemonius
Sten Verland
Peter Benson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors of the General Partner, Sunstone LSV General Partner BI ApS, have today considered and approved the annual report of P/S Sunstone Biomedicinsk Venture III for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Copenhagen, 29.01.2016

Board of Directors


Merete Lundbye Møller
chairwoman


Søren Lemonijs


Sten Verland


Peter Benson

Independent auditor's reports

To the General Partner and the Limited Partners of P/S Sunstone Biomedicinsk Venture III

Report on the financial statements

We have audited the financial statements of P/S Sunstone Biomedicinsk Venture III for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity'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 Entity'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 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 audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 29.01.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33963556



Kim Mücke
State Authorised Public Accountant

Management commentary

Primary activities

P/S Sunstone Biomedicinsk Venture III invests in unlisted commercial enterprises, mainly in Northern Europe, that use biotechnology in connection with the development of new pharmaceutical products and treatments. Biotechnology is defined as the use of modern biotechnological methods and knowledge about biotechnological systems for development of drugs and treatment methods. The objective is to invest in companies that can later be sold or listed on a stock exchange.

A team of five investment professionals in Denmark is responsible for the investment management.

Development in activities and finances

The Fund was established 15 January 2001. The Fund's administration was taken over by Sunstone Capital A/S on 1 January 2010.

The result for the year showed a profit of DKK 41,580k influenced by realised and unrealised net gains on investments of DKK 41,630k.

Development in selected portfolio companies:

F2G Ltd: Located in Manchester, England, develops new drugs for the treatment of life threatening fungal diseases. The company has completed the Clinical Phase I trials and is expecting to start Phase II late 2016 or early 2017.

Zealand Pharma A/S: Located in Glostrup, Denmark, specializes in the discovery, optimization and development of novel peptide drugs and has a broad and mature pipeline of drug candidates identified through its own drug discovery activities. The company is listed on OMX Copenhagen and news about the company can be found on <http://zealandpharma.com>.

Uncertainty relating to recognition and measurement

When preparing the annual report, the General Partner, in accordance with legislative provisions, makes accounting judgments and estimates, which form the basis of the annual report. The accounting judgments and estimates made by the General Partner are described in the paragraph "Management's significant accounting judgments and estimates" under accounting policies to which we refer. Such estimates are made on the basis of assumptions, which the General Partner considers reasonable and realistic, but which are uncertain by nature.

Unusual circumstances affecting recognition and measurement

Except for the fair value adjustment on investments, the annual report is not influenced by unusual circumstances.

Management commentary

Events after the balance sheet date

The proceeds from sale of shares at the end of 2015, equivalent to DKK 4,365k, have been distributed to the Limited Partners after the balance sheet date.

Accounting policies

Reporting class

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

The accounting policies applied for this annual report are consistent with those applied last year.

The description of accounting policies reflects the Entity's special activity as venture fund.

The annual report is presented in DKK 1,000

Income tax

The annual report does not include current or deferred tax due to the corporate form.

Material uncertainty related to recognition and measurement

When preparing the Entity's annual report, Management makes accounting judgments and estimates, which form the basis of the presentation, recognition and measurement of the Entity's assets and liabilities. In particular, the accounting judgments and estimates made by Management relate to the Entity's other receivables, which, among other things, include receivables from sale of investments. In some cases the receivables include the value for potential payments which will be triggered if certain milestones are met. When measuring the fair value of such receivables, the General Partner assesses in particularly the possibility of achieving the milestones.

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 assets 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 liabilities 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.

Accounting policies

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 one 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. Exchange rate adjustments relating to investments in portfolio companies are recognised in the income statement together with fair value adjustments concerning the investments.

Income statement

Other external expenses

Other external expenses include administration costs and investment costs.

Administrative expenses comprise expenses for administration incurred by the Entity.

Investment costs comprise due diligence expenses etc relating to uncomplete investments etc.

Investment costs relating to complete investments are added to the cost of investments.

Income from other fixed asset investments

Income from other fixed asset investments comprises realised gains/losses from divestments as well as unrealised value adjustments from revaluation and write-down of investments in portfolio companies.

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on transactions in foreign currencies which do not relate to exchange adjustments of investments in portfolio companies.

Balance sheet

Receivables

Receivables are measured at fair value through profit or loss.

Other investments

Other investments included as fixed asset investments comprise investments in portfolio companies and loans to portfolio companies. Investments in portfolio companies made in the financial year are recognised at cost at the time of investment. The cost includes expenses incurred in connection with acquisition of portfolio companies. Unlisted investments in portfolio companies are subsequently measured in accordance with IPEV's Valu-

Accounting policies

ation Guidelines, under which investments including loans are recognised at fair value at the balance sheet date in accordance with section 38 of Danish Financial Statement Act. For investments in portfolio companies listed on a stock exchange, fair value is determined as the stock price at the balance sheet date. Value adjustments are recognised in the income statement.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities which comprise other payables are measured at amortised cost.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other external expenses	1	<u>(44)</u>	<u>(92)</u>
Operating profit/loss		(44)	(92)
Income from other investments and receivables that are fixed assets	2	41.630	11.962
Other financial expenses		<u>(6)</u>	<u>(3)</u>
Profit/loss for the year		<u>41.580</u>	<u>11.867</u>
Proposed distribution of profit/loss			
Retained earnings		<u>41.580</u>	<u>11.867</u>
		<u>41.580</u>	<u>11.867</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other investments		77.715	47.768
Other receivables		<u>0</u>	<u>11.832</u>
Fixed asset investments	3	<u>77.715</u>	<u>59.600</u>
Fixed assets		<u>77.715</u>	<u>59.600</u>
Other short-term receivables	4	<u>27.371</u>	<u>17.946</u>
Receivables		<u>27.371</u>	<u>17.946</u>
Cash		<u>4.432</u>	<u>85</u>
Current assets		<u>31.803</u>	<u>18.031</u>
Assets		<u>109.518</u>	<u>77.631</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	5	10.003	10.003
Retained earnings		<u>99.465</u>	<u>67.560</u>
Equity		<u>109.468</u>	<u>77.563</u>
Other payables		<u>50</u>	<u>68</u>
Current liabilities other than provisions		<u>50</u>	<u>68</u>
Liabilities other than provisions		<u>50</u>	<u>68</u>
Equity and liabilities		<u><u>109.518</u></u>	<u><u>77.631</u></u>
Contingent liabilities	6		
Related parties with control	7		

Statement of changes in equity for 2015

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10.003	67.560	77.563
Ordinary dividend paid	0	(9.675)	(9.675)
Profit/loss for the year	0	41.580	41.580
Equity end of year	10.003	99.465	109.468

The stated contributed capital represents the limited partners' total equity contributions.

Ordinary dividend comprises of distributions of proceeds from realised investments distributed to the limited partners.

Notes

1. Other external expenses

The Fund had no employees during the financial year. All administrative work is performed by Sunstone Capital A/S. No salary or remuneration has been paid to the general partner, apart from fees in connection with investment activities.

2. Income from other investments and receivables that are fixed assets

Income from other fixed asset investment comprise unrealised value adjustments from investments in portfolio companies and realised gains/losses. In 2015 the Fund has recognised a realised gain of DKK 9,824k (2014: loss of DKK 1,728k). This year's unrealised gain from investment in portfolio companies amounts to DKK 31,806k (2014: gain of DKK 13,690k).

	Other in- vestments DKK'000	Other re- ceivables DKK'000
3. Fixed asset investments		
Cost beginning of year	20.343	11.832
Disposals	<u>(1.859)</u>	<u>(11.832)</u>
Cost end of year	<u>18.484</u>	<u>0</u>
Revaluations beginning of year	27.425	0
Revaluations	35.138	0
Reversal regarding disposals	<u>(3.332)</u>	<u>0</u>
Revaluations end of year	<u>59.231</u>	<u>0</u>
Carrying amount end of year	<u>77.715</u>	<u>0</u>

The Fund has shares in certain portfolio companies, owning more than 20 % of the capital or the voting rights. Disclosures thereon are not included in the annual report pursuant to section 72(4) of the Danish Financial Statements Act.

4. Other short-term receivables

Other short-term receivables represents receivables from sale of investments.

Notes

	2015 <u>DKK'000</u>
5. Contributed capital	
Changes in contributed capital	
Contributed capital beginning of year	<u>10.003</u>
Contributed capital end of year	<u>10.003</u>

The stated contributed capital represents the Limited partners' total equity contribution. The capital of the Fund is divided into limited partnership shares of DKK 1.

6. Contingent liabilities

At the balance sheet date the fund has no obligations to make further investments in portfolio companies or otherwise assumed any other obligations towards the portfolio companies.

7. Related parties with control

The General Partner is Sunstone LSV General Partner BI ApS, Copenhagen.