

Dandrit Biotech A/SFruebjergvej 3
2100 København Ø

CVR no. 26 02 73 22

Annual report for 2015

(15. financial year)

Adopted at the annual general meeting
on 30 June 2016

Anders Kaasgaard
Chairman

Contents

Page

Management's Statement and Auditors' Report

Statement by management on the annual report	1
Independent auditor's report	2

Management's Review

Company details	4
Management's review	5

Financial Statements

Accounting policies	6
Income Statement	9
Balance Sheet	10
Notes to the annual report	12

Statement by management on the annual report

Today, the board of directors and the executive board have discussed and approved the annual report of Dandrit Biotech A/S for the financial year 1 January - 31 December 2015.

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 financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 30 June 2016

Executive Board

Eric Jean Marie Leire

Supervisory Board

N. E. Nielsen
chairman

Aldo Petersen

Independent auditor's report

To the Shareholders of Dandrit Biotech A/S

Report on the financial statements

We have audited the financial statements of Dandrit Biotech A/S for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of the 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 the 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.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statement 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 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Emphasis of matter

Without modifying our opinion, we note that there is an uncertainty that may cast doubt on the Company's ability to continue operations. We refer to note 1 of the financial statements, which indicates that it is currently uncertain whether the expected capital increase will be implemented and/or loan commitments to finance operations and short-term debt will be obtained. The Management believe that the capital increase will take place in Q2 2016 why the financial statements accordingly have been prepared assuming continued operations.

Statement on management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. 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's review is consistent with the financial statements.

Hellerup, 30 June 2016

CVR-no.33 25 68 76

 Crowe Horwath.

Søren Jonassen
Statsautoriseret revisor

Company details

The company

Dandrit Biotech A/S
Fruebjergvej 3
2100 København Ø

E-mail: info@dandrit.com
Website: www.dandrit.com

CVR no.: 26 02 73 22
Financial year: 1 January - 31 December
Incorporated: 1 April 2001
Domicile: Copenhagen

Board of directors

N. E. Nielsen, chairman
Aldo Petersen,

Executive board

Eric Jean Marie Leire

Auditors

Crowe Horwath
Statsautoriseret Revisionsinteressentskab
Rygårds Allé 104
2900 Hellerup

Management's review

The company's business activities

The company's purpose is to conduct clinical research, trading, manufacturing and related activities, primarily for the pharmaceutical industry.

Business review

The company's income statement for the year ended 31 December 2015 shows a loss of DKK 20,352,670, and the balance sheet at 31 December 2015 shows negative equity of DKK 41,303,884.

The parent company, Dandrit Biotech USA Inc. has increased its share capital by a capital increase in the USA, at the same time as the stock of the parent company has been listed on the OTC markets in the USA under the symbol DDRT (www.otcmarket.com/stock/DDRT).

The financing of the Company in 2016 is to be covered from time to time by the parent company according to pre-agreed plans.

The research and development projects of the Company as well as its activities in commercialisation develop in 2016 as expected irrespective of the delays which are generally to be expected from time to time in a development company like Dandrit.

For further information, please visit the website of the parent company www.dandrit.com.

Post balance sheet events

No events have occurred after the balance sheet date which could significantly affect the company's financial position. However the parent Company has announced a merger and in combination with the merger a capital increase and an uplisting to main market in USA.

Accounting policies

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

The accounting policies applied are consistent with those applied 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's 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's 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.

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue.

The gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Financial income and expenses

Financial income and expenses include interest, financial expenses in respect of realised and unrealised exchange adjustments, price adjustment of securities as well as extra payments and repayment under the onaccount taxation scheme.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence term, however not more than 20 years.

Tangible assets

Items of Tangible assets are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

Other fixtures and fittings, tools and equipment 4-6 years

Assets costing less than kr. 12,800 are expensed in the year of acquisition.

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment losses 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, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Accounting policies

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Other debts are measured at net realisable value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate 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 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.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> t.kr.
Gross profit		-17.425.853	-8.455
Staff costs	2	<u>-2.848.602</u>	<u>-2.686</u>
Earnings before interest, tax, depreciation and amortisation		-20.274.455	-11.141
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-106.580	-107
Other operating costs		<u>-81.466</u>	<u>0</u>
Profit/loss before financial income and expenses		-20.462.501	-11.248
Financial income		77	3
Financial costs	3	<u>-4.850.477</u>	<u>-1.225</u>
Profit/loss before tax		-25.312.901	-12.470
Tax on profit/loss for the year	4	<u>4.960.231</u>	<u>997</u>
Net profit/loss for the year		<u>-20.352.670</u>	<u>-11.473</u>
Proposed distribution of profit			
Retained earnings		<u>-20.352.670</u>	<u>-11.473</u>
		<u>-20.352.670</u>	<u>-11.473</u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> t.kr
Assets			
Acquired patents		959.035	1.148
Intangible assets	5	<u>959.035</u>	<u>1.148</u>
Other fixtures and fittings, tools and equipment		0	0
Tangible assets		<u>0</u>	<u>0</u>
Deposits		17.150	44
Fixed asset investments		<u>17.150</u>	<u>44</u>
Fixed assets total		<u>976.185</u>	<u>1.192</u>
Trade receivables		96.608	0
Other receivables		65.385	140
Corporation tax		3.907.740	276
Prepayments		165.674	0
Receivables		<u>4.235.407</u>	<u>416</u>
Cash at bank and in hand		<u>3.628.438</u>	<u>54</u>
Current assets total		<u>7.863.845</u>	<u>470</u>
Assets total		<u><u>8.840.030</u></u>	<u><u>1.662</u></u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> t.kr
Liabilities and equity			
Retained earnings		4.003.089	4.003
		<u>-45.306.973</u>	<u>-24.954</u>
Equity total	7	<u>-41.303.884</u>	<u>-20.951</u>
Payables to parent company		<u>44.743.479</u>	<u>12.138</u>
Long-term debt	8	<u>44.743.479</u>	<u>12.138</u>
Trade payables		4.144.503	6.922
Other payables		<u>1.255.932</u>	<u>3.553</u>
Short-term debt		<u>5.400.435</u>	<u>10.475</u>
Debt total		<u>50.143.914</u>	<u>22.613</u>
Liabilities and equity total		<u>8.840.030</u>	<u>1.662</u>
Going Concern	1		
Contingencies, etc.	9		

Notes to the annual report

1 Going Concern

The Company's parent Company in USA is working with a Private Placement to secure the financing of the Company in combination with an uplisting in USA to main market. The management expects that the Private Placement can be closed during the last half of 2016. There is a natural uncertainty in connection with this assumption. If the Private Placement is not succesfull there is a risk for going concern.

	<u>2015</u>	<u>2014</u>
	kr.	t.kr.
2 Staff costs		
Wages and salaries	2.576.115	2.465
Pensions	264.634	210
Other social security costs	<u>7.853</u>	<u>11</u>
	<u>2.848.602</u>	<u>2.686</u>
3 Financial costs		
Financial expenses, group entities	1.615.637	129
Other financial costs	<u>3.234.840</u>	<u>1.096</u>
	<u>4.850.477</u>	<u>1.225</u>
4 Tax on profit/loss for the year		
Current tax for the year	-3.907.740	-277
Adjustment of tax concerning previous years	<u>-1.052.491</u>	<u>-720</u>
	<u>-4.960.231</u>	<u>-997</u>

Notes to the annual report

5 Intangible assets

	<u>Acquired patents</u>
Cost at 1 January 2015	2.377.702
Disposals for the year	<u>-393.636</u>
Cost at 31 December 2015	<u>1.984.066</u>
Impairment losses and amortisation at 1 January 2015	1.230.620
Amortisation for the year	106.580
Reversal of impairment and amortisation of sold assets	<u>-312.169</u>
Impairment losses and amortisation at 31 December 2015	<u>1.025.031</u>
Carrying amount at 31 December 2015	<u><u>959.035</u></u>

6 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2015	<u>1.474.961</u>
Cost at 31 December 2015	<u>1.474.961</u>
Impairment losses and depreciation at 1 January 2015	<u>1.474.961</u>
Impairment losses and depreciation at 31 December 2015	<u>1.474.961</u>
Carrying amount at 31 December 2015	<u><u>0</u></u>

Notes to the annual report

7 Equity

		Retained earnings	Total
Equity at 1 January 2015	4.003.089	-24.954.303	-20.951.214
Net profit/loss for the year	0	-20.352.670	-20.352.670
Equity at 31 December 2015	4.003.089	-45.306.973	-41.303.884

The share capital consists of 4.003.089 shares of a nominal value of kr. 1. No shares carry any special rights.

Share capital the last 5 years:

	2015	2014	2013	2012	2011
	kr.	kr.	kr.	kr.	kr.
Share capital at 1 January 2015	4.003.089	4.003.089	3.548.172	3.548.172	2.577.000
Additions for the year	0	0	454.917	0	971.172
Disposals for the year	0	0	0	0	0
Share capital at 31 December 2015	4.003.089	4.003.089	4.003.089	3.548.172	3.548.172

8 Long term debt

	Debt at 1 January 2015	Debt at 31 December 2015	Payment within 1 year	Debt after 5 years
Payables to parent company	12.137.957	44.743.479	0	0
	12.137.957	44.743.479	0	0

9 Contingencies, etc.

The company has entered into rent agreements at the following amounts:

Remaining term of 1-3 months with totalling payment of DKK 22 thousand.