

**Rheoscience ApS**  
Herlev Hovedgade 205-207  
2730 Herlev  
Business Registration No  
26505933

## **Annual report 2017**

The Annual General Meeting adopted the annual report on 17.05.2018

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

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Name: Thomas Nielsen

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## Entity details

### Entity

Rheoscience ApS  
Herlev Hovedgade 205-207  
2730 Herlev

Central Business Registration No (CVR): 26505933

Founded: 11.03.2002

Registered in: Herlev

Financial year: 01.01.2017 - 31.12.2017

### Executive Board

Thomas Nielsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
P.O. Box 1600  
0900 Copenhagen C

## **Statement by Management on the annual report**

The Executive Board has today considered and approved the annual report of Rheoscience ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Herlev, 17.05.2018

**Executive Board**

Thomas Nielsen

# Independent auditor's report

## To the shareholders of Rheoscience ApS

### Opinion

We have audited the financial statements of Rheoscience ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the 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.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity 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.

### Material uncertainty related to going concern

Without affecting our opinion, we draw attention to the information provided in note 1, at which management accounts for the uncertainty surrounding the Company's ability to continue as a going concern. The Company has received commitment from the Parent, that the necessary credit facilities will be maintained for the calendar year 2018. The financial statements have been presented as a going concern.

### Management's responsibilities 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.

In preparing the financial statements, Management is responsible for assessing 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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

## Independent auditor's report

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 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 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

## Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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, 17.05.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Jan Larsen  
State-Authorised Public Accountant  
Identification No (MNE) mne16541

## Management commentary

### Primary activities

The activity of the Company included the development of the medicinal product candidate Balaglitazone. The Company has been without activity during the year.

### Development in activities and finances

The Company's income statement for 2017 shows a profit of DKK 5,228 while the balance sheet shows negative equity of DKK 33,813,225 at 31.12.2017.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



## Income statement for 2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
<b>Gross profit</b>		<b>16.903</b>	<b>0</b>
Administrative expenses		(11.100)	(10.000)
<b>Operating profit/loss</b>		<b>5.803</b>	<b>(10.000)</b>
Other financial expenses		(131)	(200.547)
<b>Profit/loss before tax</b>		<b>5.672</b>	<b>(210.547)</b>
Tax on profit/loss for the year	2	(444)	46.321
<b>Profit/loss for the year</b>		<b>5.228</b>	<b>(164.226)</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		5.228	(164.226)
		<b>5.228</b>	<b>(164.226)</b>

**Balance sheet at 31.12.2017**

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Deferred tax		11.654.209	11.654.209
Other receivables		416	6.791
<b>Receivables</b>		<u><b>11.654.625</b></u>	<u><b>11.661.000</b></u>
<b>Cash</b>		<u><b>24.439</b></u>	<u><b>12.094</b></u>
<b>Current assets</b>		<u><b>11.679.064</b></u>	<u><b>11.673.094</b></u>
<b>Assets</b>		<u><b>11.679.064</b></u>	<u><b>11.673.094</b></u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Contributed capital		32.459.518	32.459.518
Retained earnings		<u>(66.272.743)</u>	<u>(66.277.971)</u>
<b>Equity</b>		<b><u>(33.813.225)</u></b>	<b><u>(33.818.453)</u></b>
Convertible and dividend-yielding debt instruments		<u>39.201.643</u>	<u>39.201.644</u>
<b>Non-current liabilities other than provisions</b>		<b><u>39.201.643</u></b>	<b><u>39.201.644</u></b>
Payables to group enterprises		6.280.346	6.279.903
Other payables		<u>10.300</u>	<u>10.000</u>
<b>Current liabilities other than provisions</b>		<b><u>6.290.646</u></b>	<b><u>6.289.903</u></b>
<b>Liabilities other than provisions</b>		<b><u>45.492.289</u></b>	<b><u>45.491.547</u></b>
<b>Equity and liabilities</b>		<b><u>11.679.064</u></b>	<b><u>11.673.094</u></b>
Going concern	1		
Contingent liabilities	3		
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## Statement of changes in equity for 2017

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	32.459.518	(66.277.971)	(33.818.453)
Profit/loss for the year	0	5.228	5.228
<b>Equity end of year</b>	<b>32.459.518</b>	<b>(66.272.743)</b>	<b>(33.813.225)</b>

## Notes

### 1. Going concern

The Company has lost its share capital. Meanwhile, the Company's current liabilities are much higher than the current assets. The Company's ability to continue as a going concern depends on the Parent, Nordic Bioscience A/S. The Parent has promised to make the necessary credit facilities available to the Company in 2018. Accordingly, the financial statements have been presented on the assumption that the Company is a going concern.

	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Tax on profit/loss for the year</b>		
Current tax	444	(46.321)
	<b>444</b>	<b>(46.321)</b>

### 3. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Nordic Bioscience Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### 4. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Nordic Bioscience Holding A/S, Herlev

## 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 enterprises with addition of certain provisions for reporting class C enterprises.

The accounting policies applied to these 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.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue and other operating income.

#### Administrative costs

Administrative costs comprise expenses 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.

#### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

#### 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.

## Accounting policies

### 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.

The Entity is jointly taxed with the Parent and all of its 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

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

#### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value 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.

#### Cash

Cash comprises cash in hand and bank deposits.

#### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.