

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

Annual report 2016

The Annual General Meeting adopted the annual report on 26.05.2017

Chairman of the General Meeting

Name: Thomas Nielsen

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Entity details

Entity

Rheoscience ApS
Herlev Hovedgade 205-207
2730 Herlev

Central Business Registration No: 26505933

Founded: 11.03.2002

Registered in: Herlev

Financial year: 01.01.2016 - 31.12.2016

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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 15.05.2017

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 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 2017. 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 are considered material if,

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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.

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

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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, 15.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant

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 2016 shows a loss of DKK 164,226 while the balance sheet shows negative equity of DKK 33,818,453 at 31.12.2016.

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 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross profit		0	94.838
Administrative costs		(10.000)	(22.848)
Operating profit/loss		(10.000)	71.990
Other financial expenses		(200.547)	(300.412)
Profit/loss before tax		(210.547)	(228.422)
Tax on profit/loss for the year	2	46.321	959.601
Profit/loss for the year		(164.226)	731.179
Proposed distribution of profit/loss			
Retained earnings		(164.226)	731.179
		(164.226)	731.179

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Deferred tax		11.654.209	12.580.069
Other receivables		6.791	415
Receivables		<u>11.661.000</u>	<u>12.580.484</u>
Cash		<u>12.094</u>	<u>12.093</u>
Current assets		<u>11.673.094</u>	<u>12.592.577</u>
Assets		<u>11.673.094</u>	<u>12.592.577</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		32.459.518	32.459.518
Retained earnings		<u>(66.277.971)</u>	<u>(66.113.745)</u>
Equity		<u>(33.818.453)</u>	<u>(33.654.227)</u>
Convertible and dividend-yielding debt instruments		<u>39.201.644</u>	<u>40.420.209</u>
Non-current liabilities other than provisions		<u>39.201.644</u>	<u>40.420.209</u>
Payables to group enterprises		6.279.903	5.801.095
Other payables		<u>10.000</u>	<u>25.500</u>
Current liabilities other than provisions		<u>6.289.903</u>	<u>5.826.595</u>
Liabilities other than provisions		<u>45.491.547</u>	<u>46.246.804</u>
Equity and liabilities		<u>11.673.094</u>	<u>12.592.577</u>
Going concern	1		
Contingent liabilities	3		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	32.459.518	(78.693.814)	(46.234.296)
Corrections of errors	0	12.580.069	12.580.069
Adjusted equity, beginning of year	32.459.518	(66.113.745)	(33.654.227)
Profit/loss for the year	0	(164.226)	(164.226)
Equity end of year	32.459.518	(66.277.971)	(33.818.453)

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 2017. Accordingly, the financial statements have been presented on the assumption that the Company is a going concern.

	2016	2015
	DKK	DKK
2. Tax on profit/loss for the year		
Tax on current year taxable income	(46.321)	(888.528)
Change in deferred tax for the year	0	886.675
Adjustment concerning previous years	0	(957.748)
	(46.321)	(959.601)

3. Contingent liabilities

The Company 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 Company is therefore jointly and severally liable with the other jointly taxed companies for income taxes etc for the jointly taxed companies, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

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.

The accounting policies applied to these financial statements are consistent with those applied last year.

Changes in accounting policies

Deffered tax, Assets are adjusted with 12,580 t.DKK for 2015, due to the missing adding prior years. The adjustment entail the assets to be 12,580 t.DKK more 2015, and the equity to be 12,580 t.DKK more in 2015.

For 2016 the Deffered tax assets and intercompany debts is adjusted with 926 t.DKK, as a result of use in joint taxation.

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 cost of sales.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

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 financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on 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.

The Entity is jointly taxed with the Parent and 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

Receivables

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

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.

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.