

## **RHEOSCIENCE ApS**

Herlev Hovedgade 205 - 207  
2730 Herlev  
Business Registration No  
26505933

## **Annual report 2019**

The Annual General Meeting adopted the annual report on 07.09.2020

### **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: 01.01.2019 - 31.12.2019

### Executive Board

Thomas Nielsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København 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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 07.09.2020

### **Executive Board**

Thomas Nielsen

# Independent auditor's report

## To the shareholders of RHEOSCIENCE ApS

### Adverse opinion

We have audited the financial statements of RHEOSCIENCE ApS for the financial year 01.01.2019 - 31.12.2019, 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, due to the significance of the matter discussed in the "Basis for adverse opinion" section, the financial statements do not give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### Basis for adverse opinion

Management has prepared the Annual Report under the assumption of going concern. The balance sheet shows net current liabilities of 37,8m DKK. The company has not provided us with documentation indicating that the Company has sufficient funds, or will be able to receive additional financial funds from shareholders, in order to be able to pay the current liabilities once they are due.

Based on the above, there is considerable doubt about the going concern assumption for the company. Our conclusion is adverse regarding this assumption.

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 adverse opinion.

### 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

## Independent auditor's report

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, 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.

As stated in the section "Basis for adverse opinion", our conclusion on the financial statements has been modified as a result of our disagreement with Management that the financial statement can be presented on the assumption of going concern. We have concluded that the management commentary for the same reason contains material misstatement since the management commentary, in our view, should have reflected this fact.

Copenhagen, 07.09.2020

### **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 2019 shows a profit of DKK 7.048.495 while the balance sheet shows negative equity of DKK 37.751.889 at 31.12.2019.

### Events after the balance sheet date

In early 2020, the outbreak of the coronavirus disease (COVID-19) has escalated, and on 11 March 2020 the WHO declared it a worldwide pandemic. The outbreak has led to a number of precautions that affect the planning and execution of day-to-day operations, and the Group's vendors and customers may be affected as well. Their financial impact cannot be determined at this point in time.

Aside from this, no material events have occurred after the balance sheet date which affect the annual report.

## Income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
<b>Gross profit</b>		<b>0</b>	<b>0</b>
Administrative expenses		-18.502	-18
<b>Operating profit/loss</b>		<b>-18.502</b>	<b>-18</b>
Other financial expenses	1	-25	0
<b>Profit/loss before tax</b>		<b>-18.527</b>	<b>-18</b>
Tax on profit/loss for the year	2	7.067.022	-10.969
<b>Profit/loss for the year</b>		<b>7.048.495</b>	<b>-10.987</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		7.048.495	-10.987
		<b>7.048.495</b>	<b>-10.987</b>

## Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Deferred tax		0	685
Other receivables		7.290	4
Income tax receivable		7.752.338	0
<b>Receivables</b>		<b>7.759.628</b>	<b>689</b>
<b>Cash</b>		<b>10</b>	<b>11</b>
<b>Current assets</b>		<b>7.759.638</b>	<b>700</b>
<b>Assets</b>		<b>7.759.638</b>	<b>700</b>

## Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Contributed capital		32.459.518	32.460
Retained earnings		<u>-70.211.407</u>	<u>-77.260</u>
<b>Equity</b>		<b><u>-37.751.889</u></b>	<b><u>-44.800</u></b>
Convertible and dividend-yielding debt instruments		<u>0</u>	<u>39.202</u>
<b>Non-current liabilities other than provisions</b>		<b><u>0</u></b>	<b><u>39.202</u></b>
Payables to group enterprises		35.492.383	6.080
Payables to associates		10.001.644	200
Other payables		<u>17.500</u>	<u>18</u>
<b>Current liabilities other than provisions</b>		<b><u>45.511.527</u></b>	<b><u>6.298</u></b>
<b>Liabilities other than provisions</b>		<b><u>45.511.527</u></b>	<b><u>45.500</u></b>
<b>Equity and liabilities</b>		<b><u>7.759.638</u></b>	<b><u>700</u></b>
Contingent liabilities	3		
Group relations	4		

## Statement of changes in equity for 2019

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	32.459.518	-77.259.902	-44.800.384
Profit/loss for the year	<u>0</u>	<u>7.048.495</u>	<u>7.048.495</u>
<b>Equity end of year</b>	<b><u>32.459.518</u></b>	<b><u>-70.211.407</u></b>	<b><u>-37.751.889</u></b>

## Notes

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Other financial expenses</b>		
Other interest expenses	25	0
	<b>25</b>	<b>0</b>

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Tax on profit/loss for the year</b>		
Change in deferred tax	685.316	10.969
Refund in joint taxation arrangement	-7.752.338	0
	<b>-7.067.022</b>	<b>10.969</b>

At December 31, 2018, The Company had a not recognized deferred tax asset of 13m DKK. Due to utilization in the joint taxation in 2019 with Group Companies the not recognized tax asset has at December 31, 2019 been reduced to 5,3m DKK.

The company will for 2019 receive a refund of 7,7m DKK from Companies in the joint taxation, which has been recognized as a receivable at December 31, 2019.

### 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 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.

#### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

#### 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.