

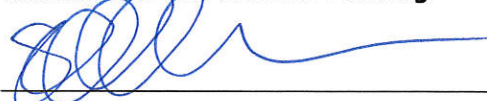
K/S Sunstone Biomedical Venture Annex I

Lautrupsgade 7,5
2100 Copenhagen Ø
Central Business Registration No
27513468

Annual report 2016

The Annual General Meeting adopted the annual report on 28.02.2017

Chairman of the General Meeting



Name: Merete Lundbye Møller

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Fund details

Fund

K/S Sunstone Biomedical Venture Annex I
Lautrupsgade 7,5
2100 Copenhagen Ø

Central Business Registration No: 27513468

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

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 K/S Sunstone Biomedical Venture Annex I for the financial year 01.01.2016 - 31.12.2016.

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

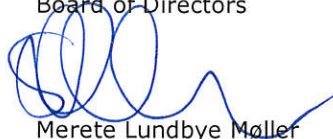
In our opinion, the financial statements give a true and fair view of the Fund's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 30.01.2017

Board of Directors



Merete Lundbye Møller
chairwoman



Søren Lemonius



Sten Verland



Peter Benson

Independent auditor's report

To the General Partner and Limited Partners of K/S Sunstone Biomedical Venture Annex I

Opinion

We have audited the financial statements of K/S Sunstone Biomedical Venture Annex I 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 Fund's financial position at 31.12.2016 and of the results of its operations and cash flows 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 Fund 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.

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 Fund'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 Fund 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, 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:

Independent auditor's report

- 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 Fund'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 Fund'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 Fund 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

The General Partner 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 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.

Independent auditor's report

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, 30.01.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Kim Takata Mücke

State Authorised Public Accountant

Management commentary

Primary activities

K/S Sunstone Biomedical Venture Annex I 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 18 June 2004. The Fund's administration was taken over by Sunstone Capital A/S on 1 January 2010.

During 2016, the limited partners have decided to liquidate the Fund. The liquidation is expected to be completed during July 2020.

The result for the year shows a loss of DKK 23.173k influenced by realised and unrealised net loss on investments of DKK 16,107k.

Development in selected portfolio companies:

F2G Ltd: Located in Manchester, UK, is a drug development company focused on the development of novel agents to treat serious fungal diseases. During 2016, the company completed clinical phase I as planned and raised USD 60 million from new and existing investors.

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

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

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'000</u>	<u>2015 DKK'000</u>
Other external expenses	1	<u>(7.024)</u>	<u>(43)</u>
Operating profit/loss		(7.024)	(43)
Income from other fixed assets investments	2	(16.107)	59.438
Other financial expenses		<u>(42)</u>	<u>(14)</u>
Profit/loss for the year		<u>(23.173)</u>	<u>59.381</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(23.173)</u>	<u>59.381</u>
		<u>(23.173)</u>	<u>59.381</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other investments		<u>29.442</u>	<u>135.154</u>
Fixed asset investments	3	<u>29.442</u>	<u>135.154</u>
Fixed assets		<u>29.442</u>	<u>135.154</u>
Other receivables	4	<u>18.180</u>	<u>22.623</u>
Receivables		<u>18.180</u>	<u>22.623</u>
Cash		<u>11.385</u>	<u>12.178</u>
Current assets		<u>29.565</u>	<u>34.801</u>
Assets		<u>59.007</u>	<u>169.955</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital		131.118	131.118
Retained earnings		<u>(72.128)</u>	<u>38.803</u>
Equity		<u>58.990</u>	<u>169.921</u>
Other payables		<u>17</u>	<u>34</u>
Current liabilities other than provisions		<u>17</u>	<u>34</u>
Liabilities other than provisions		<u>17</u>	<u>34</u>
Equity and liabilities		<u>59.007</u>	<u>169.955</u>
Contingent liabilities	5		
Related parties with controlling interest	6		

Statement of changes in equity for 2016

	Contributed capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity beginning of year	131.118	38.803	169.921
Ordinary dividend paid	0	(87.758)	(87.758)
Profit/loss for the year	0	(23.173)	(23.173)
Equity end of year	131.118	(72.128)	58.990

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 LSV Management A/S. No salary or remuneration has been paid to the general partner.

2. Income from other fixed assets investments

Income from other fixed asset investment comprise unrealised value adjustments from investments in portfolio companies and realised gains/losses.

	Other investmen ts DKK'000
3. Fixed asset investments	
Cost beginning of year	13.596
Additions	2.764
Disposals	<u>(12.932)</u>
Cost end of year	<u>3.428</u>
Revaluations beginning of year	121.557
Revaluations for the year	(83.416)
Reversal regarding disposals	<u>(12.127)</u>
Revaluations end of year	<u>26.014</u>
Carrying amount end of year	<u>29.442</u>

4. Other receivables

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

5. Contingent liabilities

At the balance sheet date, the Fund has an obligation to invest further in its sole portfolio company with an amount up to \$632.788. The obligation is conditional upon the portfolio company meeting predefined milestones.

6. Related parties with controlling interest

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

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 Fund'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 Fund's annual report, Management makes accounting judgments and estimates, which form the basis of the presentation, recognition and measurement of the Fund's assets and liabilities. In particular, the accounting judgments and estimates made by Management relate to the Fund'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 Management assesses in particular 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 Fund, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Fund 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 Fund, 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.

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

Accounting policies

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 other investments 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 Fund.

Investment costs comprise due diligence expenses etc relating to uncompleted investments etc. and carried interest to General Partner on realised gains on investments exceeding a predefined threshold.

Investment costs relating to completed 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 other fixed asset investments which comprises of investments in portfolio companies, if any.

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

Other investments

Other investments included as fixed asset investments comprise investments in portfolio companies and convertible 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 Valuation Guidelines, under which investments are recognised at fair value at the balance sheet date. 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.

Receivables

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

Cash

Cash comprises bank deposits.

Accounting policies

Other financial liabilities

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