

Pharmaorigin ApS

Slotsmarken 17 - 2.TV

2970 Hørsholm

CVR nr. 29 17 82 91

Annual Report

1. January - 31. December 2015

The Annual Accounts has been presented and approved at the generally assembly ²⁶/5 2016



Signature

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Company Information

The Company	Pharmaorlgia ApS Slotsmarken 17, 2nd floor DK-2970 Hørsholm Denmark
CVR/VAT	29 17 82 91
Initiated	14 November 2005
Location	Hørsholm
Fiscal Year	1 January - 31 December
Managing Director	Kim Arvid Nielsen
Auditor	Grant Thornton Stockholmsgade 45 2100 København Ø
Bank	Danske Bank Hovedgaden 107 2630 Taastrup
Parent Company	Serendex Pharmaceuticals A/S CVR/VAT 30532228

Management Statement

The Executive Management have reviewed and approved the annual report of Pharmaorigin ApS for the financial year 1 January to 31 December 2015. The financial statements have been prepared in accordance with the Danish Financial Statement Act. We consider the accounting policies to be appropriate and the overall presentation in the annual report to be adequate. Therefore, in our opinion the annual report gives a true and fair view of Pharmaorigin's assets and liabilities and financial position as at 31 December 2015 and of the results of operations for the period 1 January to 31 December 2015. We recommend the annual report for adoption at the annual general meeting.

PHARMAORIGIN APS,
Hørsholm 26 May 2016

Executive Management



Kim Arvid Nielsen
(CEO)

To the Shareholders of Pharmaorigin ApS

Report on the annual accounts

We have audited the annual accounts of Pharmaorigin ApS for the financial year 2015, which comprise profit and loss account, balance sheet and notes including accounting policies used. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts 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 annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts 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 company'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 the overall presentation of the annual accounts. 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 annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 2015 in accordance with the Danish Financial Statements Act.

Emphasis of Matter regarding information in the financial statements

Without qualifying our opinion, we draw the attention to the fact that the completion of all the company's planned development activities requires additional capital funding during 2016. We refer in this respect to note 1 to the consolidated financial statements which describes the planned fund raising possibilities and that the company management if needed will reduce the planned development activities.

Statement on the 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 annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Copenhagen, 26 May 2015

GRANT THORNTON

Statsautoriseret Revisionspartnerselskab



Ulrik Bloch-Sørensen

State Authorized Public Accountant

Management Review

2015 was a financially challenging year. Throughout the year, we worked to establish long term financing for Serendex A/S, parent to Pharmaorigin ApS. The feedback we received from potential investors and partners was overall positive, but it also became clear that we needed to be a private company without debt in order to be sufficiently attractive in the investment field.

The board decided to perform a share issue in December 2015 in order to gain short term financing, convert our debt into shares and to increase possibilities for the long term financing.

Based on the outcome of the emission the board decided to apply for delisting from the Oslo Stock Exchange. Our application was approved and last market day was 4 May 2016. By taking this important step, we firmly believe that our chances of securing sustainable funding significantly increase.

Due to financial reasons we were not able to start our tox program on FVIIa for diffuse alveolar hemorrhage (DAH) and therefore development has been slowed down. We concluded, that it would serve the parent company and its shareholders best to focus on the development of GM-CSF for PAP and ARDS -activities placed in Drugrecure ApS. We will decide, organize and plan the further development programme upon the outcome of our future funding situation.

Pharmaorigin ApS reached a net loss of DKK -135k in 2015 (DKK -558k in 2014), the total assets reached DKK 6,957k as of 31.12.2015 (DKK 5,584k in 2014), and the Equity was DKK 4,175k by the end of 2015 (DKK 4,310k in 2014).

Financial Review – Pharmaorigin ApS 2015

The Annual Report 2015 includes the financial statements of Pharmaorigin ApS.

The entire share capital of Pharmaorigin ApS is held by the parent company Serendex Pharmaceuticals A/S VAT/CVR 30532228.

INCOME STATEMENT

Revenue

Pharmaorigin has no recognized revenue in 2015.

Costs, net financials, tax and profit

External expenses amounted to DKK 179k in 2015 (DKK 313k in 2014).

Net financials amounted to DKK 0 (DKK -441k in 2014). The decrease in financial expenses is due to zero interest payments on debt to parent company for the entire year. In 2014 interest was calculated on a cash credit basis (overdraft facility) with the amount of DKK 441k. For 2015, a tax income of DKK 44k (2014: DKK 196k) has been noted in the income statement as a consequence of the net loss of DKK 179k before tax and adjustment to deferred tax. In 2015, Pharmaorigin reached a net loss after tax of DKK -135k compared to a net loss of DKK -558k in 2014.

Allocation of loss

It is proposed that this year's consolidated loss is transferred to retained earnings.

BALANCE SHEET

Development in assets

Pharmaorigin's total assets as of 31 December 2015 were DKK 6,957k of which the total intangible assets amounted to DKK 5,857k. Total assets have increased by DKK 1,373k compared to 31 December 2014. This is mainly due to an increase in intangible assets (development activities) of DKK 1,454k.

Development in Equity and liabilities

As of 31 December 2015, the liabilities amounted to DKK 2,781k and total equity was DKK 4,175k. The liabilities is based on intercompany loans from parent company of DKK 2,781k (2014: DKK 1,274). The significant increase in loans of DKK 1,507k reflects the above mentioned increase in development activities.

Significant events occurred after the end of the financial year

The Rights issue related to the Parent Company initiated in 2015 was fully subscribed when the Subscription Period ended 4 January 2016. Oslo Stock Exchange has in 2016 approved the delisting of Serendex A/S from Oslo Axess. This means that Serendex A/S as of 4 May 2016 no longer is a listed company.

The Parent Company has in 2016 secured an undrawn committed credit facility provided by the major shareholder that supports a satisfactory cash situation for Serendex for 2016.

No other significant events have occurred subsequent to the balance sheet date that are considered to have a material influence in the evaluation of the 2015 report.

Income Statement for the period 1 January 2015 - 31 December 2015 (DKK thousand)

	Notes	2015 DKK	2014 DKK
External expenses		-179	-313
Operating profit/loss (-)		-179	-313
Net financials	3	0	-441
Profit/loss (-) before tax		-179	-754
Tax expenses	4	44	196
Net profit/loss (-)		-135	-558

Balance Sheet at 31 December 2015 (DKK thousand)

Assets	Notes	2015 DKK	2014 DKK
Non-current assets			
Intangible assets			
Development projects	5	<u>5.857</u>	<u>4.403</u>
Total non-current assets		<u>5.857</u>	<u>4.403</u>
Current assets			
Receivables			
Tax receivables	6	1.096	1.119
Other receivables		<u>4</u>	<u>2</u>
Total receivables		<u>1.100</u>	<u>1.121</u>
Cash and cash equivalents		<u>0</u>	<u>60</u>
Total current assets		<u>1.100</u>	<u>1.181</u>
Total assets		<u><u>6.957</u></u>	<u><u>5.584</u></u>

Balance Sheet at 31 December 2015 (DKK thousand)

Equity and liabilities

	Notes	2015 DKK	2014 DKK
Equity			
Share capital		246	246
Retained earnings		<u>3.929</u>	<u>4.064</u>
Total equity		<u>4.175</u>	<u>4.310</u>
Current liabilities			
Intercompany balance (loan)		<u>2.781</u>	<u>1.274</u>
Total current liabilities		<u>2.781</u>	<u>1.274</u>
Total liabilities		<u>2.781</u>	<u>1.274</u>
Total equity and liabilities		<u><u>6.957</u></u>	<u><u>5.584</u></u>

Changes in equity (DKK thousand)

DKK	Share capital	Retained earnings	Total
Balance at 1 January 2014.....	246	-378	-132
Profit/loss (-)	0	-558	-558
Investment from parent	0	5.000	5.000
Balance at 31 december 2014	246	4.064	4.310
 Balance at 1 January 2015.....	 246	 4.064	 4.310
Profit/loss (-)	0	-135	-135
Balance at 31 december 2015	246	3.929	4.175

Notes

1 Capital resources

Pharmaorigin intends to license its products to pharmaceutical companies and thereby derive income from a combination of fixed payments and ongoing royalty income. Until Pharmaorigin has established such a license agreement, Pharmaorigin will be a capital-consuming company due to investments in drug development and in further strengthening of the pipeline. Therefore, it is vital that the company always has sufficient financial resources.

As of 1 May 2016, parent company Serendex has established an undrawn committed credit facility in the amount of DKK 25 million provided by Sorana A/S, which provides Serendex Pharmaceuticals A/S, Drugrecure ApS and Pharmaorigin ApS with a satisfactory cash position for 2015.

2 Accounting Policies

Accounting policies applied in the preparation of the financial statements are set out below. The accounting policies are unchanged compared to 2014.

Basis of preparation

The Annual Report has been prepared in accordance with the Danish Financial Statements Act for Class B companies.

The annual report for 2015 has been prepared for on-going business.

The financial statements are presented in DKK, reflecting the company's functional currency.

Recognition and measurement in general

The net revenue is recognized in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net revenue is recognized exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Recognition of value adjustments of assets and liabilities are recognized in the profit and loss account upon financial assessment.

All costs – including depreciation, amortization, write-down, provisions, and reversals, which are due to changes in estimated amounts previously recognized in the profit and loss account – are recognized in the profit and loss account.

Assets are recognized in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

Translation of Foreign Currency

Operational transactions in foreign currency are translated by using the exchange rate at cost basis upon bank transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognized in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency – not settled at the date of the balance sheet – are translated by using the period closing rate held by The Danish Central Bank. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognized in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

2 Accounting Policies - continued

INCOME STATEMENT

External expenses

External expenses comprise all external costs including development costs, which are not directly attributable to the Company's development of new products (capitalized costs). External expenses includes depreciation and write-downs.

Net financials

Net financials include interest income, interest expenses on loans, and realized and unrealized exchange rate gains and losses. Net financials are recognized in the profit and loss account with the amounts concerning the financial year.

Tax

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

2 Accounting Policies - continued

BALANCE SHEET ITEMS

Intangible assets

Intangible fixed assets comprise development projects, patents, and licenses. Development costs comprise costs directly and indirectly attributable to development of new products from which the Company expects a future economic benefit.

All other development costs are recognized as costs in the profit and loss accounts.

Capitalized development costs are measured at cost with deduction of accrued amortizations or at the recoverable value, if this is lower.

The carrying amounts of intangible assets carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal amortization. If that is the case, the asset is written down to the recoverable amount, which is the higher value of the net sales price and the capitalized value. Impairment losses on intangible assets are recognized under the same line item as amortization of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

After completion of the development work, capitalized development costs are amortized on a straight line basis over the estimated financial useful life.

Profit and loss from the realization of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale.

Writedown of assets

The book values of intangible as well as tangible fixed assets are subject to annual write-down assessment in order to disclose any indications of impairment beyond those expressed by amortization and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net income deriving from the use of the asset or the group of assets. Any loss based on the write-down test is recognized in the profit and loss account under depreciation.

Deferred tax

Long-term deferred tax (+12 months) and current tax (less than 12 months) are recognized in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years, taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25% to 22%, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22% will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognized by 22%.

Other receivables, prepayments and accrued expenses

Deposits comprise rental deposits paid to real estate agencies.

Prepaid expenses paid in advance but which has not yet been incurred are recognized under assets.

Accrued expenses recognized under assets comprise incurred costs concerning the next financial year.

Cash and cash equivalents

Cash and cash equivalents includes cash in Danske Bank.

Current liabilities

Current liabilities are measured at amortized costs, which usually corresponds to the nominal value.

Notes (DKK thousand)

3 Financial expenses (net)	2015	2014
Interest expenses (parent)	0	441
	0	441

4 Tax expenses	2015	2014
Calculated income tax for the period	0	0
Change in deferred tax	-44	-196
Total tax expense 2015	-44	-196

5 Development projects	2015	2014
Costs at the beginning of the year	4.403	4.129
Acquisitions	1.454	274
Costs end of period	5.857	4.403
Depreciation and writedown at the beginning of the year	0	0
Depreciation and writedown in period	0	0
Depreciation and writedown end of period	0	0
Book value end of period	5.857	4.403

Development costs, which do not fulfil the requirements for recognition in the balance sheet are expensed immediately in the income statement under External costs.

6 Tax receivables and Deferred tax	2015	2014
Deferred tax at the begining of the year.....	1.119	1.062
Tax reimbursed	-66	-139
Deferred tax net change	44	196
Deferred tax asset end of period	1.096	1.119

The deferred tax assets concerns:

Intangible assets	-1.242	-950
Tangible assets	6	5
Loss carried forward	2.333	2.064
	1.096	1.119

The deferred tax assets is reconciled as follows:

Non-current assets	0	0
Current assets	1.096	1.119
Tax receivable	1.096	1.119

Notes

7 Significant events occurring after the balance sheet date

The Rights issue related to the Parent Company initiated in 2015 was fully subscribed when the Subscription Period ended 4 January 2016.

The Parent Company has in 2016 secured an undrawn committed credit facility provided by the major shareholder that supports a satisfactory cash situation for Serendex for 2016.

Oslo Stock Exchange has in 2016 approved the delisting of Serendex A/S from Oslo Axess. This means that Serendex A/S as of 4 May 2016 no longer is a listed company.

No other significant events have occurred subsequent to the balance sheet date that are considered to have a material influence in the evaluation of the 2015 report.

8 Pledged assets and securities

As of 31. December 2015 Pharmaorigin ApS has no obligations.

9 Consolidated Group Tax

The company is part of the group of companies subject to the Danish scheme of joint taxation and, as from the financial year 2014, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

As from 1 July 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with corporation tax represents an estimated maximum of DKK 0 thousand. The liability relating to obligations in connection with withholding taxes represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.