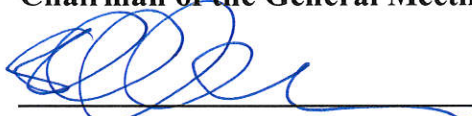


**Sunstone Life Science Ventures Fund II  
K/S  
Central Business Registration No  
30582268  
Lautrupsgade 7, 5  
2100 Copenhagen Ø  
  
Annual report 2015**

The Annual General Meeting adopted the annual report on 25.02.2016

**Chairman of the General Meeting**



Name: Merete Lundbye Møller

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## **Entity details**

### **Entity**

Sunstone Life Science Ventures Fund II K/S  
Lautrupsgade 7, 5  
2100 Copenhagen Ø

Central Business Registration No: 30582268  
Registered in: Copenhagen  
Financial year: 01.01.2015 - 31.12.2015

### **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 II ApS have today considered and approved the annual report of Sunstone Life Science Ventures Fund II K/S for the financial year 01.01.2015 - 31.12.2015.

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 Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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, 29.01.2016

### Board of Directors



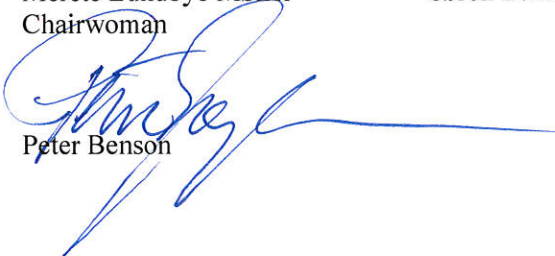
Merete Lundbye Møller  
Chairwoman



Søren Lemonius



Sten Verland



Peter Benson

## **Independent auditor's reports**

### **To the General Partner and the Limited Partners of Sunstone Life Science Ventures Fund II K/S**

#### **Report on the financial statements**

We have audited the financial statements of Sunstone Life Science Ventures Fund II K/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

#### **Management's responsibility 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

## Independent auditor's reports

### Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 29.01.2016

### Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33963556



Kim Mücke

State Authorised Public Accountant

## Management commentary

### Primary activities

Sunstone Life Science Ventures Fund II K/S invests in early-stage life science companies mainly located in the Nordic countries, Germany and Switzerland.

A team of five investment professionals in Denmark is responsible for the investment management.

### Development in activities and finances

The Fund was established 8 May 2007. At the end of 2015 the Fund holds 11 active portfolio companies.

The result for the year showed a gain of DKK 179.4 million, which is primarily related to fair value gains from its investments in portfolio companies.

Future results of Sunstone Life Science Ventures Fund II K/S are dependent on significant development in the value of the Entity's investments in portfolio enterprises.

### The following development has taken place during the year:

Acarix A/S: Located in Lyngby, Denmark, develops an acoustic sensor patch, which by analyzing the sound from the heart is able to detect coronary artery disease at a very early stage. The company continued the development of the product and is expecting indicative results in 2016.

Alligator Biosciences AB: Located in Lund, Sweden, develops antibodies for immunotherapy in certain types of cancer. The company have signed a collaboration agreement with Johnson&Johnson on ADC-1013 with potential milestones of up to USD 700 million.

Anergis S.A.: Located in Epalinges, Switzerland, develops peptide-based allergy vaccines for the treatment of patients with birch allergy. In 2015 the company continued its work with the AllerT study.

Euro-Diagnostica AB: Located in Sweden, develops and sells diagnostic solutions. The company has incorporated all activities emanating from the BioMonitor research, which were divested in 2014.

CMC Contrast AB: Located in Lund, Sweden, develops an oral contrast agent for MR imaging of liver metastases. The company continued the development of CMC-001.

Egalet Ltd: Located in Denmark and the US, is a fully integrated specialised pharmaceutical company focused on developing effective medicines for patients with acute and chronic pain while helping to protect physicians, families and communities from the burden of abuse. The company is listed on NASDAQ in New York. News about the company can be found on <http://www.egalet.com>.

## **Management commentary**

FBC Device ApS: Located in Aarhus, Denmark, develops an implant to potentially improve the treatment of patients with degenerative disc disease. The company received additional positive data from the patients and full read-out is expected during 2016.

Arcoma AB: Located in Växjö, Sweden, develops advanced digital radiographic systems for optimal workflow, diagnostics and treatment. The company is listed on NASDAQ First North Sweden. News about the company can be found on <http://arcoma-imix.com/news>.

Orphazyme ApS: Located in Copenhagen, Denmark, develops treatment for patients suffering from rare and serious diseases, especially lysosomal storage diseases. The company's pre-clinical development is on track and additional funding round was secured during the year.

## **Uncertainty relating to recognition and measurement**

When preparing the Entity's annual report, Management, in accordance with legislative provisions, makes accounting judgements and estimates, which form the basis of the annual report. The accounting judgement and estimates made by Management are described in the paragraph "Material uncertainty related to recognition and measurement" under accounting policies to which we refer. Such estimates are made on the basis of assumptions which Management considers reasonable and realistic, but which are uncertain by nature.

## **Unusual circumstances affecting recognition and measurement**

Except for significant unrealised gains 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.



## **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 has been restated to reflect the Entity'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 Entity's annual report, Management makes a number of accounting judgments and estimates, which form the basis of the presentation, recognition and measurement of the Entity's assets and liabilities. In particular, the accounting judgments and estimates made by Management relate to the Entity's investments in portfolio enterprises, which include contribution of equity and loans to development-oriented enterprises, the assets of which essentially include intangible assets, and which may require continuous contribution of capital. When measuring the fair value of the unlisted investments, the General Partner assesses the development stage of the portfolio enterprises compared to the initial plans at the time of making the initial investments, future financing requirements, commercialisation possibilities, timing of exit and possible exit values.

The fair value of each unlisted portfolio enterprise is determined in accordance with commonly used valuation principles based on the IPEV Valuation Guidelines, taking into account the assessment of the development stage of the enterprise as well as its market potential and expected cash flows in order to reflect the fair value of the portfolio enterprise in the best way possible.

### **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 assets 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 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.

## **Accounting policies**

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 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 investments in portfolio companies 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 Entity.

Investment costs comprise due diligence expenses relating to uncomplete investments etc.

Investment costs relating to completed investments are added to the cost of investments.

#### **Other operating expenses**

Other operating expenses comprise management fee to the management company, Sunstone Capital A/S.

#### **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 investments in portfolio companies.

#### **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.

## **Accounting policies**

### **Balance sheet**

#### **Other investments**

Other investments included as fixed asset investments comprise investments in portfolio companies and 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 investments in portfolio companies.

Unlisted investments in portfolio companies are subsequently measured in accordance with IPEV's Valuation Guidelines, under which investments including loans are recognised at fair value at the balance sheet date in accordance with section 38 of Danish Financial Statement Act. 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.

#### **Cash**

Cash comprises bank deposits.

#### **Other financial liabilities**

Other financial liabilities are measured at amortised cost.

**Income statement for 2015**

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other external expenses	1	<u>(88)</u>	<u>(217)</u>
<b>Gross profit/loss</b>		<b>(88)</b>	<b>(217)</b>
Other operating expenses		<u>(9.507)</u>	<u>(8.664)</u>
<b>Operating profit/loss</b>		<b>(9.595)</b>	<b>(8.881)</b>
Income from other investments and receivables that are fixed assets	2	189.158	(66.149)
Other financial expenses		<u>(126)</u>	<u>(91)</u>
<b>Profit/loss for the year</b>		<b><u>179.437</u></b>	<b><u>(75.121)</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>179.437</u>	<u>(75.121)</u>
		<b><u>179.437</u></b>	<b><u>(75.121)</u></b>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other investments		<u>650.409</u>	<u>434.608</u>
<b>Fixed asset investments</b>	3	<u><b>650.409</b></u>	<u><b>434.608</b></u>
<b>Fixed assets</b>		<u><b>650.409</b></u>	<u><b>434.608</b></u>
<b>Cash</b>		<u><b>0</b></u>	<u><b>1.680</b></u>
<b>Current assets</b>		<u><b>0</b></u>	<u><b>1.680</b></u>
<b>Assets</b>		<u><u><b>650.409</b></u></u>	<u><u><b>436.288</b></u></u>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	4	578.775	547.458
Retained earnings		<u>68.174</u>	<u>(111.263)</u>
<b>Equity</b>		<b><u>646.949</u></b>	<b><u>436.195</u></b>
Bank loans		3.333	0
Other payables		<u>127</u>	<u>93</u>
<b>Current liabilities other than provisions</b>		<b><u>3.460</u></b>	<b><u>93</u></b>
<b>Liabilities other than provisions</b>		<b><u>3.460</u></b>	<b><u>93</u></b>
<b>Equity and liabilities</b>		<b><u>650.409</u></b>	<b><u>436.288</u></b>
Contingent liabilities	5		
Related parties with control	6		

**Statement of changes in equity for 2015**

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	547.458	(111.263)	436.195
Increase of capital	31.317	0	31.317
Profit/loss for the year	0	179.437	179.437
<b>Equity end of year</b>	<b><u>578.775</u></b>	<b><u>68.174</u></b>	<b><u>646.949</u></b>

The stated contributed capital represents the limited partners' total equity contributions.

## Notes

### 1. Other external expenses

The Fund had no employees during the financial year. All administrative work is performed by Sunstone Capital A/S. No salary or remuneration has been paid to the general partner.

### 2. Income from other investments and receivables that are fixed assets

Income from other fixed asset investment comprise unrealised gain from investments in portfolio enterprises amounting to DKK 189,158k (2014: DKK (66,149k)).

	<b>Other in- vestments DKK'000</b>
<b>3. Fixed asset investments</b>	
Cost beginning of year	465.060
Additions	<u>26.643</u>
<b>Cost end of year</b>	<b><u>491.703</u></b>
Revaluations beginning of year	(30.452)
Revaluations	<u>189.158</u>
<b>Revaluations end of year</b>	<b><u>158.706</u></b>
<b>Carrying amount end of year</b>	<b><u>650.409</u></b>

The Fund has shares in certain portfolio companies, owning more than 20 % of the capital or the voting rights. Disclosures thereon are not included in the annual report pursuant to section 72(4) of the Danish Financial Statements Act.



## Notes

	<b>2015</b>
	<b><u>DKK'000</u></b>
<b>4. Contributed capital</b>	
<b>Changes in contributed capital</b>	
Contributed capital beginning of year	547.458
Increase of capital	<u>31.317</u>
<b>Contributed capital end of year</b>	<b><u>578.775</u></b>

The contributed capital represents the Limited partner's total equity contribution. The Entity's contributed capital comprise 99.94% A-shares and 0.06% B-shares. The Entity's A-shares are paid successively and pro rata and the B-shares are fully paid-up. One of the share classes has a dividend preference attached when the realised return in the Entity exceeds a fixed minimum rate of return p.a. (hurdle rate) of the investors's contributed capital.

### **5. Contingent liabilities**

At the balance sheet date, the Fund has assumed obligations to make further investments in portfolio companies or otherwise assumed obligations towards the portfolio companies by an amount up to totally DKK 13,588k. (2014: DKK 25,355k). Payment may be conditional on the portfolio companies meeting predefined requirements.

### **6. Related parties with control**

The General Partner of the Entity is Sunstone LSV General Partner II ApS, Copenhagen.