

Nordic Bioscience A/S
Herlev Hovedgade 205-207
2730 Herlev
Central Business Registration No
30799968

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting

Name: Thomas Nielsen

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Entity details

Entity

Nordic Bioscience A/S
Herlev Hovedgade 205-207
2730 Herlev

Central Business Registration No: 30799968

Founded: 13.08.2007

Registered in: Herlev

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Bente Juel Christiansen
Claus Henrik Christiansen
Thomas Nielsen

Executive Board

Morten Asser Karsdal

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordic Bioscience A/S 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 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.

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.

Herlev, 15.05.2017

Executive Board

Morten Asser Karsdal

Board of Directors

Bente Juel Christiansen

Claus Henrik Christiansen

Thomas Nielsen

Independent auditor's report

To the shareholder of Nordic Bioscience A/S

Opinion

We have audited the financial statements of Nordic Bioscience A/S 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.

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, 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 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 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, 15.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jan Larsen

State Authorised Public Accountant

Management commentary

Primary activities

The Company's object is to operate within biotechnology and other related business, including to own subsidiaries and related investments.

Development in activities and finances

The Company's income statement for the year ended 31.12.2016 shows a profit of DKK 19,629,890 while the balance sheet shows equity of DKK 27,368,074 at 31.12.2016.

Research and development activities

The Company carry our research and development within the pharmaceutical sector. The activities are focused on biochemical markers, which is typically used as aid in diagnosing or predicting disease development for various diseases.

The key to the Company's success is a group of more than 90 employees, whereby more than 70 are directly engaged in research and development activities. The Company seek to foster a unique and competitive environment with freedom to explore scientific ideas. We believe in publishing our scientific results and publishes more than 40 scientific publications a year in the highest ranked journals.

External environment

In our activities, we are using a very limited number of products, and limited quantities hereof, with could potentially damage the external environment. We find it very important to be in compliance or exceed all applicable environmental regulations and have a good and close relationship with the relevant authorities overseeing such activities.

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		113.880.973	66.155.942
Research and development costs		(53.435.054)	(40.580.626)
Administrative costs		(21.305.978)	(16.637.535)
Other operating expenses		<u>(1.137.994)</u>	<u>0</u>
Operating profit/loss		38.001.947	8.937.781
Income from investments in group enterprises		(281.022)	(7.608.658)
Other financial income from group enterprises		1.579.114	0
Other financial income		847.819	4.103
Financial expenses from group enterprises		0	(4.592.365)
Other financial expenses	1	<u>(11.349.380)</u>	<u>(3.598.872)</u>
Profit/loss before tax		28.798.478	(6.858.011)
Tax on profit/loss for the year	2	<u>(9.168.588)</u>	<u>(565.295)</u>
Profit/loss for the year		<u>19.629.890</u>	<u>(7.423.306)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>19.629.890</u>	<u>(7.423.306)</u>
		<u>19.629.890</u>	<u>(7.423.306)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Land and buildings		52.034.847	51.069.325
Other fixtures and fittings, tools and equipment		12.441.037	11.301.345
Leasehold improvements		93.514	164.890
Property, plant and equipment	3	<u>64.569.398</u>	<u>62.535.560</u>
Investments in group enterprises		0	0
Fixed asset investments	4	<u>0</u>	<u>0</u>
Fixed assets		<u>64.569.398</u>	<u>62.535.560</u>
Trade receivables		22.843.630	20.001.683
Receivables from group enterprises		71.987.529	60.941.884
Deferred tax		17.937.736	29.506.487
Other receivables		654.527	3.608.107
Income tax receivable		2.524.664	0
Prepayments	5	<u>2.323.732</u>	<u>1.149.061</u>
Receivables		<u>118.271.818</u>	<u>115.207.222</u>
Cash		<u>8.588</u>	<u>0</u>
Current assets		<u>118.280.406</u>	<u>115.207.222</u>
Assets		<u>182.849.804</u>	<u>177.742.782</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		10.000.000	10.000.000
Retained earnings		17.368.074	(2.360.481)
Equity		27.368.074	7.639.519
Mortgage debts		17.925.709	19.134.748
Non-current liabilities other than provisions	6	17.925.709	19.134.748
Current portion of long-term liabilities other than provisions	6	1.200.000	1.167.988
Bank loans		0	2.100.856
Prepayments received from customers		6.938.540	0
Trade payables		8.801.320	3.031.125
Payables to group enterprises		112.499.434	60.999.474
Income tax payable		0	68.696.818
Other payables		5.802.846	7.958.059
Deferred income		2.313.881	7.014.195
Current liabilities other than provisions		137.556.021	150.968.515
Liabilities other than provisions		155.481.730	170.103.263
Equity and liabilities		182.849.804	177.742.782
Contingent liabilities	7		
Mortgages and securities	8		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	10.000.000	(2.360.481)	7.639.519
Exchange rate adjustments	0	98.665	98.665
Profit/loss for the year	0	19.629.890	19.629.890
Equity end of year	10.000.000	17.368.074	27.368.074

Notes

		2016	2015
		DKK	DKK
1. Other financial expenses			
Financial expenses from associates		1.007.639	0
Interest expenses		10.341.741	3.064.196
Exchange rate adjustments		0	534.676
		11.349.380	3.598.872
		2016	2015
		DKK	DKK
2. Tax on profit/loss for the year			
Tax on current year taxable income		(2.499.408)	(2.279.830)
Change in deferred tax for the year		12.540.931	2.299.919
Adjustment concerning previous years		(872.935)	545.206
		9.168.588	565.295
		Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
	Land and buildings DKK		
3. Property, plant and equipment			
Cost beginning of year	52.922.817	22.151.202	3.052.295
Additions	2.428.605	3.485.729	0
Disposals	0	(2.959.701)	0
Cost end of year	55.351.422	22.677.230	3.052.295
Depreciation and impairment losses beginning of the year	(1.853.492)	(10.849.857)	(2.887.405)
Depreciation for the year	(1.463.083)	(2.346.037)	(71.376)
Reversal regarding disposals	0	2.959.701	0
Depreciation and impairment losses end of the year	(3.316.575)	(10.236.193)	(2.958.781)
Carrying amount end of year	52.034.847	12.441.037	93.514

Notes

	Investment s in group enterprises DKK
4. Fixed asset investments	
Cost beginning of year	43.005.669
Cost end of year	43.005.669
Impairment losses beginning of year	(43.005.669)
Exchange rate adjustments	98.665
Share of profit/loss for the year	(281.022)
Investments with negative equity depreciated over receivables	182.357
Impairment losses end of year	(43.005.669)
Carrying amount end of year	0

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Nordic Bioscience Beijing	Beijing	Corp.	100,0
Rheoscience ApS	Herlev	ApS	72,9

5. Prepayments

Prepayments consists of prepayments of insurance and EU-projects.

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
6. Liabilities other than provisions				
Mortgage debts	1.200.000	1.167.988	17.925.709	11.025.709
	1.200.000	1.167.988	17.925.709	11.025.709

Notes

7. 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 liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend 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.

8. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties at a book value of DKK 52,034,847.

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.

Changes in accounting policies

Deferred tax, assets are adjusted with 12,580 t.DKK for the financial year 2015, due to the missing disposal prior years. The adjustment entails the assets to be 12,580 t.DKK less, and the intercompany receivables to be 12,580 t.DKK more, in 2015.

For 2016 the deferred tax assets and intercompany receivables are adjusted with 926 t.DKK, as a result of use in the 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.

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 rate 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction

Accounting policies

date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and cost of sales.

Revenue

Revenue from contracts concluded on performance of clinical studies as well as sale of other services is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end.

Contracts concluded on performance of clinical studies running over several financial years are recognised under the percentage-of-completion method as the studies progress.

Cost of sales

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

Research and development costs

Research and development costs comprise research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

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 operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Accounting policies

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

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.

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

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	10 years

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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.

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.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.