



Pharmaero ApS
Dalslandsgade 11
DK-2300 Copenhagen S

Annual Report 2015

The Annual Report has been
presented and adopted at the
Annual General Meeting of the
Company on 12/4 2016

Chairman

A handwritten signature in blue ink, appearing to read "Tomas Norling".

Tomas Norling

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Management's Statement

The Supervisory and the Executive Boards have today discussed and approved the Annual Report of Pharmaero ApS for the financial year 1 January – 31 December 2015.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

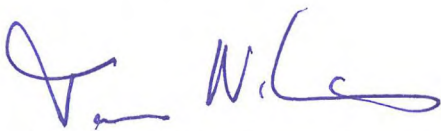
It is our opinion that the Financial Statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

We recommend that the Annual Report be approved at the Annual General Meeting.


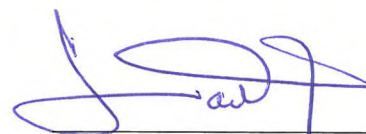
Copenhagen, 12 April, 2016

Executive Board:



Tomas Norling

Supervisory Board:


Mats Persson
Chairman
Carl-Åke Carlsson
Hans Lennart Svanborg
Aleksandar Danilovski

Independent Auditor's Report

To the Shareholders of Pharmaero ApS

Report on the Financial Statements

We have audited the Financial Statements of Pharmaero ApS for the financial year 1 January – 31 December 2015, which comprise 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 in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company'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 Company'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 evaluating 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.

The audit has not resulted in any qualification.

Opinion

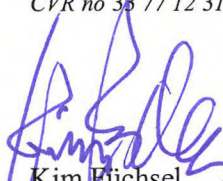
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

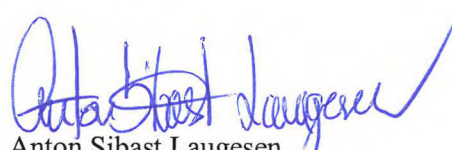
We have read the Management's review in accordance with the Danish Financial Statements Act. We have not performed any other procedures additional to the audit of the financial statements. On this basis, in our opinion the information provided in the Management's review is consistent with the Financial Statements.

Copenhagen, 12 April, 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 38 77 12 31



Kim Fuchsøl
State Authorised
Public Accountant



Anton Sibast Laugesen
State Authorised
Public Accountant

Management's review

Company details

Pharmaero ApS
Dalslandsgade 11
DK-2300 Copenhagen S

Telephone: +45 32 64 55 00
CVR no.: 32 82 79 42
Registered office: Copenhagen
Financial year: 1 January – 31 December

Supervisory Board

Mats Persson
Carl-Åke Carlsson
Hans Lennart Svanborg
Aleksandar Danilovski

Executive Board

Tomas Norling

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group Chart

The owners of Pharmaero ApS are as follows:

Xellia Pharmaceuticals ApS, Denmark, 50%
Scandinavian Health Limited, Taiwan, 50%

Management's review

Operating review

The activities of Pharmaero ApS are development and sales of pharmaceuticals products for human use.

Development during the Financial Year

The Company was founded 11 March 2010. The company has in 2015 increased the equity with TDKK 9,975 in order to finance development costs. Profit after tax in 2015 was TDKK 168, which is as expected.

The Company's main asset is development cost of TDKK 63,582. The development project is running as planned according to the established business plan.

Post balance sheet events

No events materially affecting the financial position of the company have occurred after the balance sheet date.

Outlook for 2016

The Company expects an activity level at the same level as in 2015.

Financial statements for the period 1 January – 31 December

Accounting policies

The Annual Report of Pharmaero ApS for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act with additions from reporting class big C about development projects.

The Annual Report is in DKK 1,000.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Administrative expenses

Administrative expenses comprise expenses incurred during the year for Company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Development projects

Development projects are capitalized when the development costs relate to new products or processes that are clearly defined and identifiable and the Company can demonstrate a future economic benefit, the technical feasibility, sufficient resources, a future market, and the intention of completing the intangible asset and ability to use or sell it as well as measure reliably the expenditure attributable to the development.

Development projects that do not fulfill these requirements are expensed.

Impairment of intangible assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the asset should be assessed in the smallest group of assets for which a reliable recoverable amount can be determined.

Financial statements for the period 1 January – 31 December

Accounting policies

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Financial statements for the period 1 January – 31 December

Income statement

DKK'000	Note	2015	2014
Gross profit		0	0
Administrative expenses		-112	-176
Profit/(loss) before tax		-112	-176
Tax on profit/(loss) for the year	1	280	683
Profit/(loss) for the year		168	507

Proposed distribution of profit/(loss)

Retained earnings		168	507
		168	507

Financial statements for the period 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets			
Development costs	2	63,582	55,058
Total non-current assets		63,582	55,058
Current assets			
Receivables			
Corporation tax	3	5,154	3,023
Other receivables		6	15
Total receivables		5,160	3,038
Cash at bank and in hand		4,950	9,165
Total current assets		10,110	12,203
TOTAL ASSETS		73,692	67,261

Financial statements for the period 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	4	5,212	4,414
Retained earnings		60,173	50,828
Total equity		65,385	55,242
Provisions			
Deferred tax	5	6,542	4,691
Total provisions		6,542	4,691
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1	119
Payables to group companies		1,764	7,209
Total liabilities other than provisions		1,765	7,328
TOTAL EQUITY AND LIABILITIES		73,692	67,261
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Financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	3,966	45,169	0	49,135
Capital increase	448	5,152	0	5,600
Transferred, see distribution of profit/(loss)	0	507	0	507
Equity at 1 January 2015	4,414	50,828	0	55,242
Capital increase	798	9,177	0	9,975
Transferred, see distribution of profit/(loss)	0	168	0	168
Equity at 31 December 2015	5,212	60,173	0	65,385

Financial statements for the period 1 January – 31 December

Notes

	DKK'000	2015	2014			
1	Tax on the profit/(loss) for the year					
	Current tax for the year	2,131	3,023			
	Deferred tax adjustment for the year	-1,851	-2,340			
		280	683			
2	Intangible assets					
	DKK'000		Development costs			
	Cost at 1 January 2015		55,058			
	Additions		8,524			
	Cost at 31 December 2015		63,582			
	Impairment losses and amortisation at 1 January 2015		0			
	Amortisation		0			
	Impairment losses and amortisation at 31 December 2015		0			
	Carrying amount at 31 December 2015		63,582			
	Amortised over		5 - 20 years			
3	Corporation tax receivable					
	DKK'000	2015	2014			
	Corporation tax receivable at 1 January	3,023	1,250			
	Current tax for the year	2,131	3,023			
	Corporation tax received during the year	0	-1,250			
	Corporation tax receivable at 31 December	5,154	3,023			
4	Share capital					
	DKK'000	2015	2014	2013	2012	2011
	Share capital at 1 January	4,414	3,966	2,654	616	320
	Capital increase	798	448	1,312	2,038	296
		5,212	4,414	3,966	2,654	616

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2015	2014
5 Deferred tax		
Deferred tax at 1 January	4,691	2,351
Deferred tax adjustment	1,851	2,340
Deferred tax at 31 December	6,542	4,691
Deferred tax relates to:		
Intangible assets	13,988	11,722
Losses	-7,446	-7,031
	6,542	4,691

6 Related party disclosures

Pharmaero ApS' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Xellia Pharmaceuticals ApS, Denmark, 50 %
 Scandinavian Health Limited, Taiwan, 50 %

7 Disclosure of events after the balance sheet date

There has been no significant events after the balance sheet date.

8 Contingent liabilities

The Company has not contingencies or economical liabilities other than included in the Annual Report and notes.