

**Nordic Bioscience Clinical
Development VII A/S**
Herlev Hovedgade 207
2730 Herlev
Central Business Registration No
33249098

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 Clinical Development VII A/S
Herlev Hovedgade 207
2730 Herlev

Central Business Registration No: 33249098

Founded: 18.10.2010

Registered in: Herlev

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Claus Henrik Christiansen, Chairman

Thomas Nielsen

Morten Asser Karsdal

Executive Board

Jeppe Ragnar Andersen, Chief Executive Officer

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 Clinical Development VII 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

Jeppe Ragnar Andersen
Chief Executive Officer

Board of Directors

Claus Henrik Christiansen
Chairman

Thomas Nielsen

Morten Asser Karsdal

Independent auditor's report

To the shareholder of Nordic Bioscience Clinical Development VII A/S

Opinion

We have audited the financial statements of Nordic Bioscience Clinical Development VII 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 object of the Company is to perform clinical phase III trials within osteoporosis in cooperation with an American partner.

Development in activities and finances

The Company's income statement for 2016 shows a profit of DKK 11,052,541 while the balance sheet shows equity of DKK 12,034,318 at 31.12.2016.

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</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
Gross profit	15.990.692	60.431.759
Administrative costs	(32.683)	130.217
Operating profit/loss	15.958.009	60.561.976
Other financial income	451	63.576
Other financial expenses	(1.653.519)	(1.348.804)
Profit/loss before tax	14.304.941	59.276.748
Tax on profit/loss for the year	(3.252.400)	(13.890.353)
Profit/loss for the year	11.052.541	45.386.395
Proposed distribution of profit/loss		
Ordinary dividend for the financial year	11.000.000	45.000.000
Retained earnings	52.541	386.395
	11.052.541	45.386.395

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Trade receivables		8.462.814	11.189.777
Receivables from group enterprises		59.745.996	0
Other receivables		16.804	338.259
Prepayments		0	124.781
Receivables		<u>68.225.614</u>	<u>11.652.817</u>
Cash		<u>1.916.690</u>	<u>38.181.423</u>
Current assets		<u>70.142.304</u>	<u>49.834.240</u>
Assets		<u>70.142.304</u>	<u>49.834.240</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		500.000	500.000
Retained earnings		534.318	481.778
Proposed dividend		<u>11.000.000</u>	<u>45.000.000</u>
Equity		<u>12.034.318</u>	<u>45.981.778</u>
Mortgage debts		0	57.887
Trade payables		2.151.984	3.767.798
Payables to group enterprises		52.678.338	0
Income tax payable		3.200.730	0
Other payables		<u>76.934</u>	<u>26.777</u>
Current liabilities other than provisions		<u>58.107.986</u>	<u>3.852.462</u>
Liabilities other than provisions		<u>58.107.986</u>	<u>3.852.462</u>
Equity and liabilities		<u>70.142.304</u>	<u>49.834.240</u>
Contingent liabilities	1		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	481.777	45.000.000	45.981.777
Ordinary dividend paid	0	0	(45.000.000)	(45.000.000)
Profit/loss for the year	0	52.541	11.000.000	11.052.541
Equity end of year	500.000	534.318	11.000.000	12.034.318

Notes

1. 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.

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.

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

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.

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.

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 payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

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 its 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

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

Accounting policies

Other financial liabilities

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

Income tax receivable or payable

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.