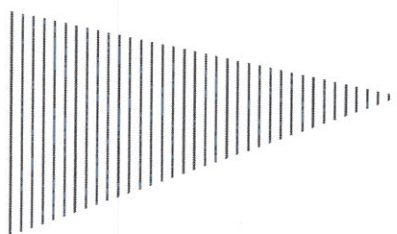


Burnblock Holding ApS

Wilders Plads 8A, 1403 København K

CVR no. 33 58 10 76



Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Burnblock Holding ApS for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017

Executive Board:

Jan Sørensen

Board of Directors:

Henrik Lyngbye Pedersen
Chairman
Jan Sørensen
John Engqvist Griem

Independent auditor's report

To the shareholders of Burnblock Holding ApS

Opinion

We have audited the financial statements of Burnblock Holding ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter in the financial statements

Without modifying our opinion, we draw attention to the fact that the Company has lost more than half of the share capital. We refer to note 2 to the financial statements in which Management gives an account of the matter.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 the 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 skepticism throughout the audit. We also:

- ▶ 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.

Independent auditor's report

- ▶ 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 Company'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 Company'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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 Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter Gath
State Authorised Public Accountant



Management's review

Company details

Name	Burnblock Holding ApS
Address, Postal code, City	Wilders Plads 8A, 1403 København K
CVR no.	33 58 10 76
Established	10 February 2011
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.burnblock.com
E-mail	info@burnblock.com
Telephone	+45 70 23 20 53
Board of Directors	Henrik Lyngbye Pedersen, Chairman Jan Sørensen John Engqvist Griem
Executive Board	Jan Sørensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Management commentary

Business review

The Company's business objectives comprise holding shares in other companies and related activities.

Financial review

The Company holds shares in Burnblock ApS, Burnblock Inc. and JGS 10. september 2010 ApS corresponding to an ownership interest of 100%.

The loss for the year amounted to DKK 1,803 thousand and is considered unsatisfactory.

The Company's equity amounted to DKK -28,212 thousand. The Company has lost more than half of the share capital and is subject to the provisions on re-establishment of the share capital under the Danish Companies Act.

In order to protect the Company's investment in Burnblock ApS, the Company acquired the Burnblock patent during the year.

As part of the strengthening of equity and financing, the Company's ultimate owner Bregnerød Investeringselskab ApS and the Company's minority owner John Griem Holding ApS made a debt conversion of DKK 6,000 thousand and DKK 4,601 thousand, respectively, during the year.

Management expects that the share capital will be re-established through the coming years' operating results.

Moreover, the Company has completed its discussions with Bregnerød Investeringselskab ApS and has obtained a commitment for the necessary financing of the operations up to and including 31 December 2017. In 2017, the financing and equity base will be sufficient for the Company to meet its liabilities for a period of at least 12 months after the preparation of the annual report.

Outlook

The Company expects improved results for 2017.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Other operating income	2,693,303	0
	Other external expenses	-1,233,311	-981,072
	Gross margin	1,459,992	-981,072
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-300,000	0
	Profit/loss before net financials	1,159,992	-981,072
	Income from investments in group entities	-5,511,824	-1,493,278
3	Financial income	4,664,845	106,488
4	Financial expenses	-1,783,146	-1,575,946
	Loss before tax	-1,470,133	-3,943,808
5	Tax for the year	-333,092	56,245
	Loss for the year	-1,803,225	-3,887,563
	Recommended appropriation of loss	-1,803,225	-3,887,563
	Accumulated loss	-1,803,225	-3,887,563



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Acquired intangible assets	2,700,000	0
		<u>2,700,000</u>	<u>0</u>
7	Financial assets		
	Investments in group entities, net asset value	2,134,208	996,860
	Receivables from group entities	0	1,072,106
		<u>2,134,208</u>	<u>2,068,966</u>
	Total non-current assets	<u>4,834,208</u>	<u>2,068,966</u>
	Current assets		
	Receivables		
	Other receivables	0	175,642
		<u>0</u>	<u>175,642</u>
	Cash	<u>26</u>	<u>3,394</u>
	Total Current assets	<u>26</u>	<u>179,036</u>
	TOTAL ASSETS	<u>4,834,234</u>	<u>2,248,002</u>



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	100,000	100,000
	Retained earnings	-28,312,253	-32,509,028
	Total equity	<u>-28,212,253</u>	<u>-32,409,028</u>
9	Non-current liabilities		
	Deferred tax	333,092	0
	Payables to group entities	32,147,918	29,525,112
	Payables to shareholders and Management	0	4,496,975
	Total non-current liabilities	<u>32,481,010</u>	<u>34,022,087</u>
	Current liabilities		
	Trade payables	223,347	634,943
	Other payables	342,130	0
	Total current liabilities	<u>565,477</u>	<u>634,943</u>
	Total liabilities	<u>33,046,487</u>	<u>34,657,030</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>4,834,234</u></u>	<u><u>2,248,002</u></u>

- 1 Accounting policies
- 2 Capital and financing
- 10 Collateral
- 11 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	100,000	-32,509,028	-32,409,028
Debt conversion	0	6,000,000	6,000,000
Transfer, see "Appropriation of loss"	0	-1,803,225	-1,803,225
Equity at 31 December 2016	<u>100,000</u>	<u>-28,312,253</u>	<u>-28,212,253</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Burnblock Holding ApS for 2016 has been presented in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies applied by the Company are consistent with those of last year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate last year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Income statement

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including costs for patent protection invoiced to Burnblock ApS.

Other external expenses

Other external costs comprise costs for patent protection, auditors, attorneys, etc.

Amortisation

The item comprises amortisation of intangible assets.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
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Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the on-account tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other subsidiaries. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Investments in subsidiaries

Investments in subsidiaries are initially recognised at costs and subsequently measured using the equity method at the Parent Company's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a loss on equity, if any, is set off against receivables from the investment if the loss is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' if the Parent Company has a legal or constructive obligation to cover the loss.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Capital and financing

The Company has lost more than half of its share capital and is, therefore, subject to the provisions applying to capital loss under the Danish Companies Act.

The Company has completed its discussions with Bregnerød Investeringselskab ApS and has obtained a commitment for the necessary financing of operations up to and including 31 December 2017.

DKK	2016	2015
3 Financial income		
Interest receivables, group entities	64,190	106,488
Remission of debt and similar	4,600,655	0
	<u>4,664,845</u>	<u>106,488</u>
4 Financial expenses		
Interest expenses, group entities	1,779,486	1,575,946
Other financial expenses	3,660	0
	<u>1,783,146</u>	<u>1,575,946</u>
5 Tax for the year		
Estimated tax charge for the year	0	-56,245
Deferred tax adjustments in the year	333,092	0
	<u>333,092</u>	<u>-56,245</u>

6 Intangible assets

Acquired intellectual property rights include the Burnblock patent with a carrying amount of DKK 2,700 thousand.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Investments

DKK	Investments in group entities, net asset value	Receivables from group entities	Total
Cost at 1 January 2016	26,224,701	1,142,120	27,366,821
Additions in the year	6,649,172	5,580,316	12,229,488
Disposals in the year	0	-6,649,172	-6,649,172
Cost at 31 December 2016	32,873,873	73,264	32,947,137
Value adjustments at 1 January 2016	-25,227,841	-70,014	-25,297,855
Share of the profit/loss for the year	-5,511,824	0	-5,511,824
Impairment losses	0	-3,250	-3,250
Value adjustments at 31 December 2016	-30,739,665	-73,264	-30,812,929
Carrying amount at 31 December 2016	2,134,208	0	2,134,208

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
Burnblock ApS	Denmark	100.00 %	2,134,208	-5,511,824
Burnblock Inc.,	USA	100.00 %	0	0
JGS 10. september 2010 ApS	Denmark	100.00 %	-60,858	4,893

DKK	2016	2015
8 Share capital		
Analysis of the share capital:		
100,000 shares of DKK 1.00 nominal value each	100,000	100,000
	100,000	100,000

Analysis of changes in the share capital over the past 5 years:

DKK	2016	2015	2014	2013	2012
Opening balance	100,000	80,000	80,000	80,000	80,000
Capital increase	0	20,000	0	0	0
	100,000	100,000	80,000	80,000	80,000

In connection with the formation/capital increase, the Company incurred expenses totalling DKK 0.

9 Non-current liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than five years after the balance sheet date.

10 Collateral

The Company's interests in Burnblock ApS and Burnblock Inc., at a carrying amount of DKK 2,134 thousand at 31 December 2016, and the Company's patent at a carrying amount of DKK 2,700 thousand at 31 December 2016, have been provided as collateral for debt to Bregnerød Investeringsselskab ApS, totalling DKK 32,148 thousand.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Related parties

Ownership

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

<u>Name</u>	<u>Domicile</u>
Bregnerød Investeringsselskab ApS	Denmark, Copenhagen
John Griem Holding ApS	Denmark, Copenhagen
JSE Consulting & Management Holding ApS	Denmark, Copenhagen