

PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab



Annual report 2015

Company reg. no. 34 08 37 38

Acesion Pharma ApS

Ole Maaløes Vej 3

2200 Copenhagen N

The annual report has been submitted and approved by the general meeting on 7 April 2016.

Søren S. Skjærbæk
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of Acesion Pharma ApS for the financial year 1 January to 31 December 2015.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen N, 7 April 2016

Executive board

Ulrik Sørensen
CEO

Morten Grunnet

Board of directors

Ingelise Saunders
Chairman of the Board

Morten Grunnet

Paul Goldenheim

Stephan Christgau

The independent auditor's reports

To the shareholders of Acesion Pharma ApS

Report on the annual accounts

We have audited the annual accounts of Acesion Pharma ApS for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as it determines necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts 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 annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts 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 the management, as well as the overall presentation of the annual accounts.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

The independent auditor's reports

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Glostrup, 7 April 2016

PKF Munkebo Vindelev
State Authorised Public Accountants
CVR-nr. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant

Company data

The company

Acesion Pharma ApS
Ole Maaløes Vej 3
2200 Copenhagen N

Company reg. no.: 34 08 37 38
Established: 15 December 2011
Domicile: The City of Copenhagen
Financial year: 1 January - 31 December
4th financial year

Board of directors

Ingelise Saunders, Chairman of the Board
Morten Grunnet
Paul Goldenheim
Stephan Christgau

Executive board

Ulrik Sørensen, CEO
Morten Grunnet

Auditors

PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab
Hovedvejen 56
2600 Glostrup

Bankers

Danske Bank, Holmens kanal 2, 1090 København K

Lawyer

Saxo Advokater, Håndværkervej 1, 7120 Vejle

Financial highlights

DKK in thousands.	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Profit and loss account:				
Gross loss	-8.496	-4.722	-4.833	0
Results from operating activities	-12.565	-8.396	-7.730	-2.542
Net financials	-30	4	0	11
Results for the year	-9.804	-6.455	-6.507	-2.069
Balance sheet:				
Balance sheet sum	17.288	18.887	9.056	2.629
Equity	1.536	3.832	-556	1.951

The financial highlights for 2012 comprise the period 15 December 2011 - 31 December 2012.

Management's review

The principal activities of the company

Acesion Pharma ApS is engaged in the research and development of new and better medicaments for the treatment of cardiac arrhythmia atrial fibrillation.

Development in activities and financial matters

The gross loss for the year is DKK -8.496.000 against DKK -4.722.000 last year. The results from ordinary activities after tax are DKK -9.804.000 against DKK -6.455.000 last year. The management considers the results satisfactory.

Acesion Pharma ApS is a biotech company founded in 2011 that centres around research and development of novel and improved pharmacological treatments of atrial fibrillation (AF), the most common type of cardiac arrhythmia. The results of the development in 2015 have been satisfying.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Acesion Pharma ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Exchange rate adjustments of current accounts with foreign group enterprises, which are considered an addition or a deduction in the equity of independent group enterprises, are recognised directly in the equity. Likewise, capital profits and losses on loans and derived financial instruments for hedging independent foreign group enterprises are recognised in the equity.

THE PROFIT AND LOSS ACCOUNT

Gross loss

The gross loss comprises the net turnover, research and development costs and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other operating income and costs comprise fund grants.

Other external costs comprise costs for sales, administration and premises.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Accounting policies used

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials include interest income, interest expenses. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

THE BALANCE SHEET

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years
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Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accounting policies used

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2015 to 2016, the corporate tax rate will be reduced from 23,5 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

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

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Gross loss	-8.496.428	-4.722.342
1 Staff costs	-3.857.112	-3.489.187
Depreciation and writedown relating to tangible fixed assets	-211.039	-184.455
Operating profit	-12.564.579	-8.395.984
Other financial income	3.541	4.721
Other financial costs	-33.608	-1.019
Results before tax	-12.594.646	-8.392.282
2 Tax on ordinary results	2.790.376	1.937.165
Results for the year	-9.804.270	-6.455.117
Proposed distribution of the results:		
Allocated from results brought forward	-9.804.270	-6.455.117
Distribution in total	-9.804.270	-6.455.117

Balance sheet 31 December

All amounts in DKK.

Assets			
Note		2015	2014
	Fixed assets		
	Other plants, operating assets, and fixtures and furniture	563.761	629.800
	Tangible fixed assets in total	<u>563.761</u>	<u>629.800</u>
	Deposits	11.719	11.378
	Financial fixed assets in total	<u>11.719</u>	<u>11.378</u>
	Fixed assets in total	<u>575.480</u>	<u>641.178</u>
	Current assets		
4	Receivable corporate tax	2.790.376	1.910.206
	Other debtors	522.596	577.410
	Accrued income and deferred expenses	8.903	372.059
	Debtors in total	<u>3.321.875</u>	<u>2.859.675</u>
	Cash funds	13.390.617	15.386.079
	Current assets in total	<u>16.712.492</u>	<u>18.245.754</u>
	Assets in total	<u>17.287.972</u>	<u>18.886.932</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
Note		2015	2014
	Equity		
5	Contributed capital	1.849.327	1.313.022
7	Results brought forward	-313.826	2.518.479
	Equity in total	1.535.501	3.831.501
	Provisions		
8	Provisions for deferred tax	0	0
	Provisions in total	0	0
	Liabilities		
9	Convertible and profit-sharing debt instruments	10.965.518	13.638.841
	Long-term liabilities in total	10.965.518	13.638.841
	Bank debts	4.728	2.000
	Trade creditors	1.414.901	488.078
	Other debts	1.064.235	926.512
	Accrued expenses and deferred income	2.303.089	0
	Short-term liabilities in total	4.786.953	1.416.590
	Liabilities in total	15.752.471	15.055.431
	Equity and liabilities in total	17.287.972	18.886.932

10 Contingencies

Notes

All amounts in DKK.

	<u>2015</u>	<u>2014</u>
1. Staff costs		
Salaries and wages	3.692.358	3.347.047
Pension costs	6.030	0
Other costs for social security	36.854	37.014
Other staff costs	121.870	105.126
	<u>3.857.112</u>	<u>3.489.187</u>
2. Tax on ordinary results		
Tax of the results for the year	-2.790.376	-1.910.206
Adjustment of tax for previous years	0	-26.959
	<u>-2.790.376</u>	<u>-1.937.165</u>
	<u>31/12 2015</u>	<u>31/12 2014</u>
3. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2015	922.279	922.279
Additions during the year	145.000	0
Cost 31 December 2015	<u>1.067.279</u>	<u>922.279</u>
Depreciation and writedown 1 January 2015	-292.479	-108.024
Depreciation for the year	-211.039	-184.455
Depreciation and writedown 31 December 2015	<u>-503.518</u>	<u>-292.479</u>
Book value 31 December 2015	<u>563.761</u>	<u>629.800</u>
4. Receivable corporate tax		
Receivable corporate tax 1 January 2015	1.910.206	1.250.000
Paid corporate tax concerning last year	-1.910.206	-1.250.000
Calculated corporate tax for the present year	2.790.376	1.910.206
	<u>2.790.376</u>	<u>1.910.206</u>

Notes

All amounts in DKK.

	<u>31/12 2015</u>	<u>31/12 2014</u>
5. Contributed capital		
Contributed capital 1 January 2015	1.313.022	647.142
Cash capital increase	0	665.880
Debt conversion, capital increase	536.305	0
	<u>1.849.327</u>	<u>1.313.022</u>

The share capital consists of 80.000 A-shares and 1.769.327 B-shares, each with a nominal value of DKK 1.849.327. The B-shares have preferential rights.

Within the latest 5 years, the following changes in the share capital have taken place:

Share capital 15 December 2011	80.000
Cash capital increase 15 December 2011	281.428
Cash capital increase 23 May 2013	285.714
Cash capital increase 14 April 2014	231.600
Cash capital increase 23 December 2015	434.280
Debt conversion, capital increase 11 May	536.305
	<u>1.849.327</u>

	<u>31/12 2015</u>	<u>31/12 2014</u>
6. Share premium account		
Share premium account for the year	6.971.965	10.176.420
Disposed to results brought forward	-6.971.965	-10.176.420
	<u>0</u>	<u>0</u>

7. Results brought forward		
Results brought forward 1 January 2015	2.518.479	-1.202.824
Profit or loss for the year brought forward	-9.804.270	-6.455.117
Disposed from share premium account	6.971.965	10.176.420
	<u>-313.826</u>	<u>2.518.479</u>

Notes

All amounts in DKK.

	<u>31/12 2015</u>	<u>31/12 2014</u>
8. Provisions for deferred tax		
Provisions for deferred tax 1 January 2015	0	26.959
Adjustment of deferred tax, opening account	<u>0</u>	<u>-26.959</u>
	<u>0</u>	<u>0</u>

In the period 2015-2016, the corporate tax rate will be reduced from 23,5 % to 22 %, which will affect the extent of deferred tax liabilities and deferred tax assets. In the accounts, changes in the tax rates are treated as a change in financial estimates.

9. Liabilities

	<u>Instalments first year</u>	<u>Outstanding debt after 5 years</u>	<u>Debt in total 31 Dec 2015</u>	<u>Debt in total 31 Dec 2014</u>
Convertible and profit-sharing debt instruments	<u>0</u>	<u>0</u>	<u>10.965.518</u>	<u>13.638.841</u>
	<u>0</u>	<u>0</u>	<u>10.965.518</u>	<u>13.638.841</u>

10. Contingencies

Contingent assets

A deferred tax asset of TDKK 1.082 has not been recognized due to uncertainty regarding the timeline for future usage.

Contingent liabilities

Interest of the convertible loan will be calculated if the loan will be repaid and is not converted into shares. The interest amounts to TDKK 681.