

**Seahorse Bioscience Europe ApS**  
**Fruebjergvej 3, 2100 København Ø**

---

**Annual report**

**2014**

---

**Company reg. no. 32 15 11 08**

The annual report has been submitted and approved by the general meeting on the 3 June 2015.

---

**Jay Snow Teich**  
Chairman of the meeting

**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 %.

## Contents

---

Page

**Reports**

- 1 Management's report
- 2 The independent auditor's reports

**Management's review**

- 4 Company data
- 5 Management's review

**Annual accounts 1 January - 31 December 2014**

- 6 Accounting policies used
- 10 Profit and loss account
- 11 Balance sheet
- 13 Notes

## Management's report

---

The board of directors and the managing director have today presented the annual report of Seahorse Bioscience Europe ApS for the financial year 1 January to 31 December 2014.

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 2014 and of the company's results of its activities in the financial year 1 January to 31 December 2014.

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, 3 June 2015

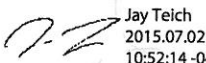
### Managing Director



Digitally signed by Hasse Hedeby  
DN: c=DK, o=SEAHORSE BIOSCIENCE EUROPE  
ApS // CVR:32151108, cn=Hasse Hedeby,  
serialNumber=CVR:32151108-  
RID:1298037450254  
Date: 2015.07.03 10:42:04 +02'00'

Hasse Hedeby

### Board of directors



Jay Teich  
2015.07.02  
10:52:14 -04'00'

Jay Snow Teich



Digitally signed by Jeffrey  
Templar  
DN: cn=Jeffrey Templar,  
o=Seahorse Bioscience Inc.,  
ou=Admin,  
email=jtemplar@seahorsebio.co  
m, c=US  
Date: 2015.07.02 10:33:42 -04'00'

Jeffrey Arnold Templar



Digitally signed by Hasse Hedeby  
DN: c=DK, o=SEAHORSE BIOSCIENCE EUROPE ApS //  
CVR:32151108, cn=Hasse Hedeby,  
serialNumber=CVR:32151108-RID:1298037450254  
Date: 2015.07.03 10:41:39 +02'00'

Hasse Hedeby

## **The independent auditor's reports**

---

### **To the shareholder of Seahorse Bioscience Europe ApS**

#### **Report on the annual accounts**

We have audited the annual accounts of Seahorse Bioscience Europe ApS for the financial year 1 January to 31 December 2014, 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.

## **The independent auditor's reports**

---

### **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 2014 and of the results of the company's operations for the financial year 1 January to 31 December 2014 in accordance with the Danish Financial Statements Act.


### **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.

Esbjerg, 3 June 2015

**Martinsen**  
State Authorised Public Accountants

  
Aage Brink Thomsen  
State Authorised Public Accountant

  
Lars Æbelø-Nielsen  
State Authorised Public Accountant

## **Company data**

---

### **The company**

Seahorse Bioscience Europe ApS  
Fruebjergvej 3  
2100 København Ø

Company reg. no.: 32 15 11 08  
Established: 15 May 2009  
Domicile: Copenhagen  
Financial year: 1 January - 31 December

### **Board of directors**

Jay Snow Teich  
Jeffrey Arnold Templer  
Hasse Hedeby

### **Managing Director**

Hasse Hedeby

### **Auditors**

Martinsen, Statsautoriseret Revisionspartnerselskab  
Edison Park 4  
6715 Esbjerg N

### **Parent company**

Seahorse Bioscience Inc., 16 Esquire Road, North Billerica, MA  
01862

## **Management's review**

---

### **Principal activities**

The Company's main activity is to function as a sales and marketing support organisation for the US based parent company.

The activity is primarily research and experimental development in the bioscience field.

### **Development in activities and financial affairs**

The result after tax is DKK -9.888 against DKK 1.433.491 last year. The management consider the results satisfactory.

The result for the year is affected by an adjustment to the service fee from 2013, that has been incorporated in the fee for 2014. The net effect to the result after tax is DKK -513.641.

### **Events subsequent to the end of 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 Seahorse Bioscience Europe 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 loose 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.

### **Recalculation of foreign currency**

Transactions in foreign currency are recalculated 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.

Receivables, payables, 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 acquired and paid for in foreign currency are translated by using the exchange rate prevailing at the date of transaction.

## The profit and loss account

### Gross profit

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.

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

### 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.

### Depreciation, amortisation and writedown

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

### Net financial

Net financials comprise interest income and interest costs, liabilities and transactions in foreign currency, amortising of fixed asset investments and liabilities, and additions and reimbursements of interest concerning tax payment. Net financials are recognised 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.

## **Accounting policies used**

---

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 years

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.

### **Inventories**

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The net realisable value for inventories is recognised as the market price with the deduction of completion costs and selling costs, and it is determined by taking negotiability, obsolescence, and the development of the expected market price into consideration.

### **Debtors**

Receivables 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.

### **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 and in hand.

### **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.

## **Accounting policies used**

---

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 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % 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**

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>2014</u>	<u>2013</u>
<b>Gross profit</b>	<b>11.382.874</b>	<b>11.804.213</b>
1 Staff costs	-11.178.358	-10.059.220
Depreciation and amortisation of tangible fixed assets	-78.148	-54.314
<b>Results before net financials</b>	<b>126.368</b>	<b>1.690.679</b>
Other financial income	0	275.475
Other financial costs	-37.804	0
<b>Results before tax</b>	<b>88.564</b>	<b>1.966.154</b>
2 Tax of the results for the year	-98.452	-532.663
<b>Results for the year</b>	<b>-9.888</b>	<b>1.433.491</b>
<b>Proposed disposal of the results:</b>		
Disposed to results brought forward	0	1.433.491
Disposed from results brought forward	-9.888	0
<b>Disposals in total</b>	<b>-9.888</b>	<b>1.433.491</b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Assets</b>		<u>2014</u>	<u>2013</u>
<u>Note</u>			
<b>Fixed assets</b>			
3	Other plants, operating assets, and fixtures and furniture	283.986	68.253
	Tangible fixed assets in total	<u>283.986</u>	<u>68.253</u>
	Deposites	220.931	202.499
	Financial fixed assets in total	<u>220.931</u>	<u>202.499</u>
	<b>Fixed assets in total</b>	<b><u>504.917</u></b>	<b><u>270.752</u></b>
<b>Current assets</b>			
	Inventories	759.589	613.652
	Inventories in total	<u>759.589</u>	<u>613.652</u>
	Trade debtors	968.680	1.191.246
	Amounts owed by group enterprises	56.138	1.551.618
	Deferred tax assets	36.000	9.000
	Accrued income and deferred expenses	114.103	19.064
	Debtors in total	<u>1.174.921</u>	<u>2.770.928</u>
	Cash funds	2.260.441	1.531.329
	<b>Current assets in total</b>	<b><u>4.194.951</u></b>	<b><u>4.915.909</u></b>
	<b>Assets in total</b>	<b><u>4.699.868</u></b>	<b><u>5.186.661</u></b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Liabilities</b>			
<u>Note</u>		<u>2014</u>	<u>2013</u>
<b>Equity</b>			
4	Share capital	125.000	125.000
5	Results brought forward	2.681.439	2.691.327
	<b>Equity in total</b>	<b><u>2.806.439</u></b>	<b><u>2.816.327</u></b>
<b>Liabilities</b>			
	Prepayments received from customers	24.605	39.524
	Trade payables	894.352	900.959
6	Payable corporate tax	29.695	487.032
	Other payables	737.947	698.258
	Accrued expenses and deferred income	206.830	244.561
	Short-term liabilities in total	<u>1.893.429</u>	<u>2.370.334</u>
	<b>Liabilities in total</b>	<b><u>1.893.429</u></b>	<b><u>2.370.334</u></b>
	<b>Liabilities in total</b>	<b><u>4.699.868</u></b>	<b><u>5.186.661</u></b>
<b>7</b>	<b>Mortgage and securities</b>		
<b>8</b>	<b>Contingencies</b>		

## Notes

All amounts in DKK.

	<u>2014</u>	<u>2013</u>
<b>1. Staff costs</b>		
Salaries and wages	10.165.407	9.213.042
Pension costs	139.617	139.741
Other costs for social security	380.386	382.086
Other staff costs	492.948	324.351
	<b><u>11.178.358</u></b>	<b><u>10.059.220</u></b>
<b>2. Tax of the results for the year</b>		
Tax on profit for the year	73.329	506.375
Adjustment for the year of deferred tax	-27.000	-5.000
Adjustment of tax for previous years	19.757	8.631
Other taxes	32.366	22.657
	<b><u>98.452</u></b>	<b><u>532.663</u></b>
	<u>31/12 2014</u>	<u>31/12 2013</u>
<b>3. Other plants, operating assets, and fixtures and furniture</b>		
Cost opening balance	320.342	275.903
Additions during the year	294.097	44.439
<b>Cost closing balance</b>	<b><u>614.439</u></b>	<b><u>320.342</u></b>
Depreciation opening balance	-252.089	-197.765
Depreciation for the year	-78.364	-54.324
<b>Depreciation closing balance</b>	<b><u>-330.453</u></b>	<b><u>-252.089</u></b>
<b>Book value closing balance</b>	<b><u>283.986</u></b>	<b><u>68.253</u></b>
<b>4. Share capital</b>		
Share capital opening balance	125.000	125.000
	<b><u>125.000</u></b>	<b><u>125.000</u></b>

**Notes**

All amounts in DKK.

	<u>31/12 2014</u>	<u>31/12 2013</u>
<b>5. Results brought forward</b>		
Results brought forward opening balance	2.691.327	1.257.836
Profit or loss for the year carried forward	-9.888	1.433.491
	<u><b>2.681.439</b></u>	<u><b>2.691.327</b></u>
<b>6. Payable corporate tax</b>		
Receivable corporate tax opening balance	487.032	237.737
Adjustment of previous years' tax	19.757	8.631
Paid corporate tax concerning last year	-506.789	-246.368
Receivable corporate tax concerning previous years	0	0
Calculated corporate tax for the present year	105.695	529.032
Paid tax on account for the present year	-76.000	-42.000
	<u><b>29.695</b></u>	<u><b>487.032</b></u>
<b>7. Mortgage and securities</b>		
None.		
<b>8. Contingencies</b>		
<b>Contingent liabilities</b>		
The company has signed leases with a total annual output of 500 thousand Danish kroner. The total rent obligation per 31 December is a total of 250 t.kr.		