

The Board of Directors and Managing Director of

PEPTONIC medical AB (publ)

Corporate identity number 556776-3064

Submit the following

Annual report

For the financial year January 1 - December 31 2015

<u>Table of contents:</u>	<u>Page</u>
Administration report	2
Income statement	6
Balance sheet	7
Pledged assets and contingent liabilities	7
Statement of changes in equity	8
Notes to the financial statements	9
Signatures	14

Administration report

General information about the business

The company is registered in Uppsala kommun, Uppsala län.

Peptonic Medical AB is an innovative Swedish pharmaceutical company developing oxytocin based products e.g. for the treatment of menopausal symptoms, such as vaginal atrophy. Oxytocin has a long history of safe and effective medical use and offers an alternative to estrogen and estrogen-like acting compounds for menopausal and postmenopausal women. Peptonic Medical AB's mission is to develop safe and effective drugs based on the known beneficial properties of oxytocin.

Development of the company's business, profit and position

The company made a loss of SEK 13,960,020 (SEK -10,097,032). Cash balance at year end was SEK 28,431,270 (SEK 10,561,896). For companies like Peptonic, involved in drug development, it is common with financial losses during a number of years.

<i>Financial overview (TSEK)</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Total assets	74 348	45 832	33 302	33 126
Equity	67 514	40 910	30 908	28 656
Equity ratio, %	91	89	93	86

For definitions, see note 7

Significant events during the financial year

- In March, the US patent office informed Peptonic Medical that the formulation patent will be approved in the USA. Patent expiry is in 2032.
- Peptonic Medical and Swetox entered a research collaboration on the mechanisms of action of oxytocin. The project will add new safety data to Vagitocin®.
- In March the company raised SEK 14.4 million in a private placement at a share price equal to the average trading price during the three preceding months.
- Patient recruitment to Peptonic Medical's ongoing phase 2b study was completed by the end of March.
- At the AGM in April, Mr. Anders Wiklund and Prof. Emeritus Andris Kreicbergs were elected as new members to the Board. At the same time, Mr. Christer Sjögren and Mr. Ingvar Wiberger resigned from the Board.
- In April, Johan Inbarr, CEO, subscribed for 160,000 warrants as authorized by the AGM as part of an adopted incentives scheme.
- Last patient's last visit in the Phase IIb study occurred in July.
- In September the results of the Phase IIb study were announced. Primary endpoints were not met. The Board decided to launch a thorough investigation in to all aspects of the study before publishing the results in more detail.
- The Board announced that the investigation had been concluded. The investigation found that the most probable cause of this unsatisfactory result was that the aluminium tube used to deliver the daily oxytocin dose, reacted with the oxytocin gel to cause a reduction in viscosity, especially when the product was stored at room temperature. This in turn resulted in less adherence of the oxytocin gel to the vaginal mucosal epithelium and therefore an inadequate daily dose of the active compound was delivered to the tissue. Clinical observation and patient reports of leakage of the gel prompted storage of the tubes in refrigerator temperature instead of room temperature to preserve gel viscosity for the last 76 of 224 patients in the trial. Analysis of this sub-group, after the trial results were known, showed a significant reduction of the most bothersome symptom (one of three primary endpoints) compared with placebo further supporting the notion that decreased gel viscosity was the reason for the unexpected outcome of this study.
- The Board of Peptonic Medical called for an extraordinary general meeting on November 19, 2015, and got shareholder approval for a rights issue of approximately MSEK 22.7 in order to finance the proposed phase IIb study. The rights issue was fully underwritten through subscription undertakings, subscriptions without preferential rights from existing shareholders (19.7 MSEK) and underwriting commitments (3 MSEK).
- In November Mr Anders Wiklund resigned from the Board . After Anders Wiklund's resignation, the Board consists of four members.
- In December the Company completed a directed rights issue (private placement) in accordance with the authorisation of the Annual General Meeting. The issue was directed to Humle Kapitalförvaltning, resulting in net proceeds of SEK 5,000,000 to the Company. Subscription price was SEK 3.05 per share, which corresponded to the price of the recently closed rights issue plus 0.25 SEK. The Board considered this to be a well-founded market price for a large investor.

Significant events after the financial year

- A total of 9,732,452 new shares have been registered per 2016-01-12 with Bolagsverket (the Swedish

PEPTONIC medical AB (publ)

Corporate identity number 556776-3064

Companies Registration Office) and the total number of shares in Peptonic Medical after the rights issue amounts to 19,174,412 shares and the share capital amounts to SEK 1 917 441.20.
the share capital amounts to SEK 1,917,441.20.

- In January 2016, an application for a new phase IIB study has been filed for approval by Läkemedelsverket (MPA). According to the protocol, 200 patients will be included in the double-blind randomized placebo controlled study, with the aim to show efficacy of Vagitocin® (400 IU oxytocin) compared with placebo. The gel, both placebo and active, will be pre-filled into glass syringes. This to minimize the risk of a decrease in viscosity. The last 40 patients included in the study will get gel filled into laminate tubes. Tubes that have been tested for stability of the API, the preservative and viscosity. Approval by the MPA is expected in March, and the plan is to start screening patients in April with first treatment in May. Last patient in the head study expect to leave the study in December.

Future expected development and material risks and uncertainties**Market risk**

The hormone replacement therapy (HRT) market, i.e. the use of estrogens to treat menopausal disorders, is dominated by a few major players, in many cases with considerable financial resources. A few companies have plans to launch new medicines. It is therefore important for Peptonic Medical to invest in profiling Vagitocin® vis-à-vis its competitors. Peptonic Medical's current focus is the part of the market where estrogen therapy is used for vaginal atrophy. It is important that investors are aware that there is significant competition in this market.

The market for drugs as HRT in menopause is often dependent on grants from public funds and compensation from insurance companies. Changing priorities of public funds or insurance companies (payers) can have a major impact on the ability for Peptonic Medical to sell its products.

Today, estrogen replacement therapy is assumed to be the best form of treatment for menopausal disorders. Although Vagitocin® can be considered to have several advantages over estrogen, it can not be ruled out that alternative new treatments in the future could replace also the use of oxytocin. This would have a negative impact on Peptonic Medical's sales and earnings.

Authorization and approval

Peptonic Medical is dependent on that the company's products meet the requirements of the approval procedures and reimbursement in health care. The approval process for pharmaceutical products vary between countries and health care systems. In the US, Peptonic Medical aim to be able to use an abbreviated approval process, 505 (b) 2, based on reference to other already approved oxytocin-based drugs. This means that there is uncertainty about how much resources Peptonic Medical will need invest to meet the requirements for approval. There is also no guarantee that the Company will be able to obtain or maintain a marketing authorization.

Product Quality

Real or perceived lack of quality in Peptonic Medical drugs could lead to product liability claims against the Company. The risk of this in the largest and most lucrative market, the United States, is greater than the average globally. Claims could, in turn, lead to the company's financial stability to be adversely affected.

Research and Development

Peptonic Medical intends to address the market for vaginal atrophy which estrogen use is now the standard treatment. Then, the plan is to develop additional products based on oxytocin for other indications. There is a risk that the Company make incorrect investment decisions regarding product development, which would delay the company's development.

Partners

Peptonic Medical intends to find one or more partners for the further development of Vagitocin® in clinical phase III. These would then receive exclusive development and commercialisation rights. Terminated collaborations or weak development of the partners may have adverse effects on the Company's sales performance.

Competitors

There is competition in the market niche Peptonic Medical plans to address first, and there is a risk that Peptonic Medical's competitors through aggressive pricing can make market entry to be very tough. If resourceful players would choose to focus on the segment that Peptonic Medical is active in, it could result in a fierce competition with weaker performance of Peptonic Medical than expected.

Corporate identity number 556776-3064

Production

Peptonic Medical is dependent on that the CMC (Chemistry, Manufacturing and Control) activities are developing well, that is, the development of packaging, dosage forms etc. generate what is needed for registration. Also, scale-up of the production volumes for future product sales is required. This requires long-term planning and a slightly different production process. If this does not work well, the Company's sales will be adversely affected.

Management and employees

Peptonic Medical is a knowledge based company that is dependent on recruiting and retaining highly skilled employees, including consultants. Key employees are essential to the Company's operations. There is a risk that recruitment of key employees is unsuccessful or that key employees leave the company with negative consequences for Peptonic Medical's operations, development, sales and profits.

Immaterial rights

In its activities are Peptonic Medical dependent on a proprietary formulation and a special use of oxytocin. The majority of the Company's intellectual property rights are thus protected by patents or copyright protection. It can not be ruled out that competitors copying the company's technology. To litigation to defend intellectual property rights liable to be both costly and take management's focus from the Company's operations.

Financial risks

Currency, interest rate and liquidity risk

Peptonic Medical have currently no sale, but can be expected to obtain compensation and royalties on sales in different currencies, such as Euros and US dollars. Revenues are not likely to be matched by the same currencies on costs that will probably be dominated by Swedish Crowns. This results in a future foreign exchange risk. Furthermore, the company take credit risks in the delivery of products and services to its customers.

Additional financing

With the increasing range of activities could more capital be needed, even if a future partner will take over most of the costs for the late clinical development, marketing and sales. There is no guarantee that new capital can be raised if the need arises, it can be obtained on favorable terms, or that such capital would be sufficient to fund operations as planned.

Research and development

The company owns four essential patent families. The cost of maintaining patents has been capitalised expenditures for development. There is an ongoing review of how the patent protection can be improved and extended. In cases where the assessment is that it will expire before a commercial product is expected to be completed it can be terminated. The main patents are for the treatment of vaginal atrophy with oxytocin. The original patent expires in 2021. A formulation patent was filed in 2011 and approved in the first country in 2013, this patent will have a term until 2032.

Ownership and new share issue

<i>Name</i>	<i>Number of shares</i>	<i>Share (%)</i>
<i>Kerstin Uvnäs Moberg incl companies</i>	<i>903 660</i>	<i>9,6</i>
<i>Staffan Rasjö</i>	<i>691 380</i>	<i>7,3</i>
<i>Christian Klingspor</i>	<i>613 478</i>	<i>6,5</i>
<i>Maria Klingspor</i>	<i>613 478</i>	<i>6,5</i>
<i>Thord Wilkne</i>	<i>600 217</i>	<i>6,4</i>
<i>Lennart Österlund</i>	<i>446 700</i>	<i>4,7</i>
<i>Ron Long</i>	<i>439 340</i>	<i>4,6</i>
<i>Dan Markussion incl pension fund</i>	<i>392 524</i>	<i>4,2</i>
<i>Movestic Livförsäkring AB</i>	<i>378 992</i>	<i>4,0</i>
<i>LMK Forward AB</i>	<i>300 000</i>	<i>3,2</i>
<i>Övriga</i>	<i>4 062 191</i>	<i>43,0</i>
<i>Sum</i>	<i>9 441 960</i>	<i>100,0</i>

The new issues that were completed in December 2015 was not registered at 2015-12-31. These two together, increased the number of shares by 9,732,452 pieces to 19,174,412. The new share capital amounts to SEK 1,917,441.20. After issue expenses, the company added 26.0 million SEK in cash.

Corporate identity number 556776-3064

Transparency persons

<i>Name</i>	<i>as of date</i>	<i>to date</i>
Johan Inbarr	2014-07-02	
Andris Kreicsbergs	2015-04-09	
Ron Long	2014-07-02	
Dan Markusson	2014-07-02	
Kerstin Uvnäs Moberg	2014-07-02	
Nadia Whittley	2014-07-02	
Natalie Jelveh	2014-07-02	2014-12-31
Christer Sjögren	2014-07-02	2015-04-09
Ingvar Wiberg	2014-07-02	2015-04-09
Anders Wiklund	2015-04-09	2015-12-11

Proposed allocation of the company's profit

The Board of Directors propose that the non-restricted equity, SEK 65 596 771, is allocated as shown below:

Share premium reserve		112 021 339
Loss brought forward		-32 464 548
Los for the year		<u>-13 960 020</u>
		<u>65 596 771</u>
Profit brought forward		<u>65 596 771</u>
	Total	<u>65 596 771</u>

For further information regarding the company's profit and financial position information can be found in the following income statement, balance sheet, cash flow statement and pertaining notes.

Income statement

<i>Amounts in SEK</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Net sales		–	9 104
Other operating income		–	500
		–	9 604
Operating expenses			
Raw materials and consumables		-9 246 967	-7 410 042
Employee benefit expenses	2	-4 696 643	-2 712 628
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-12 383	-2 064
Other operating expenses		-27 507	–
Operating profit/loss	3	-13 983 500	-10 115 130
Profit/loss from financial items			
Interest income and similar profit/loss items		28 530	19 978
Interest expense and similar profit/loss items		-5 051	-1 880
Profit/loss after financial items		-13 960 021	-10 097 032
Profit/loss before tax		-13 960 021	-10 097 032
Tax on profit for the year		–	–
Net profit/loss for the year		-13 960 021	-10 097 032

Balance sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalised expenditures for developments and similar	4	37 891 623	28 273 972
Concessions, patents, licences, trademarks and similar rights	5	<u>7 515 175</u>	<u>6 332 377</u>
		45 406 798	34 606 349
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings		<u>22 703</u>	<u>35 086</u>
		22 703	35 086
Total non-current assets		45 429 501	34 641 435
Current assets			
Other receivables		327 432	455 841
Prepaid expenses and accrued income		<u>160 323</u>	<u>207 016</u>
		487 755	662 857
<i>Investments in securities etc.</i>		–	10 419 908
<i>Cash and bank balances</i>			
Cash and bank		<u>28 431 270</u>	<u>141 988</u>
		28 431 270	141 988
Total current assets		<u>28 919 025</u>	<u>11 224 753</u>
TOTAL ASSETS		74 348 526	45 866 188

Balance sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital (9 441 960 shares)		944 196	797 105
New share issue in progress		<u>973 245</u>	<u>–</u>
		1 917 441	797 105
<i>Non-restricted equity</i>			
Share premium reserve		112 021 340	72 577 467
Profit or loss brought forward		-32 464 548	-22 367 517
Net profit/loss for the year		<u>-13 960 021</u>	<u>-10 097 032</u>
		65 596 771	40 112 918
		67 514 212	40 910 023
<i>Current liabilities</i>			
Liabilities to credit institutions		54 090	33 878
Accounts payable - trade		1 768 877	1 329 602
Current tax liability		15 108	11 543
Other liabilities		170 076	172 564
Accrued expenses and deferred income		<u>4 826 163</u>	<u>3 408 578</u>
		6 834 314	4 956 165
TOTAL EQUITY AND LIABILITIES		74 348 526	45 866 188

Pledged assets and contingent liabilities

<i>Amounts in SEK</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
Pledged assets	None	None
Contingent liabilities	None	None

Cash flow statement

Amounts in SEK	2015	2014
Operating activities		
Profit/loss after financial items	-13 960 020	-10 097 032
Adjustements for non-cash items, etc.	12 383	2 064
	<u>-13 947 637</u>	<u>-10 094 968</u>
Income tax paid	–	–
Cash flow from operating activities before working capital changes	-13 947 637	-10 094 968
<i>Cash flow from working capital changes</i>		
Increase(-)/Decrease(+) of current receivables	175 103	-127 690
Increase(-)/Decrease(+) of current liabilities	1 912 026	2 517 171
Cash flow from operating activities	<u>-11 860 508</u>	<u>-7 705 487</u>
Investing activities		
Acquisition of property, plant and equipment	–	-37 150
Acquisition of intangible assets	-10 800 448	-9 238 513
Cash flow from investing activities	<u>-10 800 448</u>	<u>-9 275 663</u>
Financing activities		
New share issue	42 189 126	22 628 153
Issue expenses	-1 624 918	-2 529 130
Cash flow from financing activities	<u>40 564 208</u>	<u>20 099 023</u>
Cash flow for the year	17 903 252	3 117 873
Cash and cash equivalents at the beginning of the year	10 528 018	7 410 145
Cash and cash equivalents at the end of the year	<u>28 431 270</u>	<u>10 528 018</u>

Notes

Amounts in SEK unless otherwise stated

Note 1 Accounting principles

The Annual Report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's generally accepted accounting principles BFNAR 2012:1 Annual Report and consolidated accounts (K3).

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The accounting principles are unchanged compared to last year.

Assets, provisions and liabilities have been valued according to cost of acquisition unless otherwise is stated below.

Intangible assets

Expenditures for research and development

Expenditures for research, i.e. planned and systematic search with the aim to obtain new scientific or technical knowledge and insight, are accounted for as expenses when incurred.

For accounting of expenditures for development, the capitalisation model is applied. This implies that expenditures that have arisen during the development period are accounted for as an asset when the conditions below are fulfilled:

- It is technically possible to finalise the intangible asset so that it can be used or sold.
- The intension is to finalise the intangible asset and to use or sell it.
- It exists prerequisites for using or selling the intangible asset.
- It is probable that the intangible asset will be generating future economic benefits.
- There are necessary and adequate technical, financial and other resources in order to complete the development and to use or sell the intangible asset.
- The expenditures attributable to the intangible asset can be estimated reliably.

Other intangible assets

Other intangible assets acquired are accounted for according to acquisition cost less accumulated amortisation and impairments. Expenditures for internally generated goodwill and brands are recognised in the income statement as expenses when incurred.

Amortisations

The amortisation is done linearly over the asset's estimated useful life. The amortisation is recognised as an expense in the income statement. Amortisation starts when development is finished.

Property, plant and equipment

Property, plant and equipment are accounted for according to acquisition cost less accumulated depreciations and impairments. The acquisition value includes, besides the purchase price, other expenditures directly attributable to the acquisition.

Depreciations

Depreciations are done linearly over the asset's estimated useful life, since it reflects the expected usage of the asset's future economic benefits. The depreciation is recognised as an expense in the income statement.

Considerations have been taken into account regarding the estimated residual value, determined at the acquisition date in the then prevailing price level.

Computers

Useful life
3 years

Impairments - Property, plant, equipment and intangible assets and shares in group companies

At every closing date, an indication if the asset's value is lower than the carrying value is assessed. If an indication exists, the recoverable amount of the asset is calculated. The recoverable amount is the highest of the fair value less cost of disposal and the value in use.

PEPTONIC medical AB (publ)

Corporate identity number 556776-3064

At the calculation of the value in use, future expected cash flows that the asset is expected to give rise to in the ongoing operations and when it is disposed.

Estimates and judgements

The Company set up expenditures for developments costs according to accounting principles adopted. Judgement is made whether the expenditures fulfill the requirements according to K3 and if impairment is required in respect of commercial aspects. The Company also makes a judgement regarding the outstanding debt for ongoing clinical studies which not have been invoiced at the year end.

Leases

All lease contracts are accounted for as operating lease contracts.

Operating lease contracts

The leasing fees according to the operating lease contracts, including raised first-time rent but excluding expenditures for services such as insurance and maintenance, are accounted for as expenses linearly over the lease term.

Financial assets and liabilities

Financial assets and liabilities are accounted for in accordance with chapter 11 (Financial instruments valued according to acquisition cost) in BFNAR 2012:1.

Accounting in and derecognition from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a part of the financial instrument's contractual agreement. A financial asset is derecognised from the balance sheet when the contractual right to the cash flow from the asset has expired or been settled. The same goes for when the risks and benefits that are associated with the holding in all material aspects are transferred to another party and the Company does not possess any control over the financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or expired.

Valuation of financial assets

Financial assets are at the first recognition date valued according to their acquisition cost, including possible transaction expenditures that are directly attributable to the acquisition of the asset.

Financial current assets are at the first recognition date valued to the lowest of the acquisition cost and the net selling price at the balance sheet date.

Accounts receivable and other receivables that form current assets are valued individually according to the amount expected to be received.

Financial non-current assets are after the first recognition date valued according to acquisition cost with deduction of potential impairments and with addition of potential revaluations.

Interest bearing financial assets are valued at the lower of cost or market.

Shares in subsidiaries, associated companies and jointly controlled companies are accounted for according to acquisition cost less accumulated impairments. The acquisition cost includes, except the purchase price, expenditures directly attributable to the acquisition.

Valuation of financial liabilities

Financial liabilities are valued according to amortised cost.

Remuneration to employees*Remuneration to employees after terminated employment**Classification*

Plans for remunerations after terminated employment are classified either as defined contribution plans or defined benefit plans.

For defined contribution plans, determined fees are paid to another Company, normally an insurance company, and do not have any obligation to the employee when the fee is paid. The size of the employee's remunerations after terminated employment is dependent on the fees that have been paid and the return on capital on those fees.

For defined benefit plans, the Company has an obligation to provide the remunerations agreed upon to current and earlier employees. The Company carries in all material aspects the risk for the remunerations to be higher than expected (actuarial risk) and the risk for the return on the assets to deviate from the expectations (investment risk). Investment risk also exists if the assets are transferred to another Company.

The company has not identified any defined benefit plans.

Corporate identity number 556776-3064

Defined contribution plans

The fees for defined contribution plans are recognised as expenses. Unpaid fees are accounted for as a liability. Hence, no actuarial assumptions are required and no actuarial gains or losses are accounted for.

Share-based payments

Share warrants are paid in cash and valued according to generally accepted valuation model (Black & Scholes) which is considered to reflect the market value. Payment of share warrants are classified as equity instrument and payment is accounted for in equity.

Tax

Tax on profit for the year in the income statement consists of current tax and deferred tax. Current tax is the income tax for the current financial year which refer to the year's taxable profit and the part of earlier financial years' income tax which have not been recognised. Deferred tax is the income tax for taxable profits referring to future financial years due to earlier transactions or happenings.

Deferred tax liabilities are recognised for all taxable temporary differences, however, deferred tax attributable to untaxed reserves are not separated since untaxed reserves are accounted for as a separate item in the balance sheet. Deferred tax assets are recognised for tax-deductible temporary differences and for the possibility to in the future use taxable loss carry-forwards. The valuation is based on the carrying amount for the corresponding asset or liability that is expected to be recovered or settled. The amounts are based on the tax rates and tax laws that are determined before the balance sheet date and have not been estimated according to their present value.

Contingent liabilities

A contingent liability is recognised within the line when there exist:

- A potential obligation attributable to past events and which existence only will be confirmed by one or several uncertain events, which are not within the Company's control, occur or absent, or
- A existing obligation due to past events, but has not been recognised as a liability or provision since it is not probable that an outflow of resources will be needed to settle the obligation or the obligation's size cannot be estimated with sufficient reliability.

Revenues

The inflow of financial benefits that the Company receives or will receive on its own behalf are recognised as revenues. Revenues are valued according to fair value of what has been received or will be received, with deductions for rebates.

Interest, royalty and dividend

Revenue is recognised when the economic benefits associated with the transaction probably will flow to the Company and when the income can be estimated reliably.

Note 2 Employees, personnel costs and remunerations to Board of Directors and auditors

Average number of employees	2015		2014	
		whereof men		whereof men
Sweden	2	100%	1	100%
Total	2	0%	1	0%

Salaries, other remunerations and social security expenses, including pension expenses

	2015	2014
Salaries and remunerations	2 984 786	1 782 110
Social security expenses	1 705 572	952 354
(of that pension expenses) 1)	(790 016)	(410 952)

1) Of the Company's pension expenses 790 016 (p.y. 410 952) relate to the Company's management for 2 (1) people.

Salaries and other remunerations divided between board members et al. and other employees

Corporate identity number 556776-3064

	2015		2014	
	Board of Directors and Managing Director	Other employees	Board of Directors and Managing Director	Other employees
Salaries and other remunerations (of that bonuses)	2 914 786 (-)	70 000	1 774 590 (-)	7 520

Of the salaries and other remunerations paid to other employees SEK 0 (SEK 0) refer to other senior managers than the Board of Directors and Managing Director.

Remuneration to senior management

2015				
TSEK	Base salary, board fee	Consultancy fee	Other benefits	Pension expenses
Kerstin Uvnäs Moberg	50 000	1 260 000	-	-
Andris Kreicbergs	50 000	-	-	-
Nadia Whittley	50 000	-	-	-
Anders Wiklund	25 000	210 000	-	-
Ron Long	75 000	236 500	-	-
CEO	1 512 000	-	-	358 967
Others (1 person)	1 302 209	-	-	270 407

2014				
TSEK	Base salary, board fee	Consultancy fee	Other benefits	Pension expenses
Kerstin Uvnäs Moberg	50 000	1 131 680	-	-
Ingvar Wiberger	50 000	-	-	-
Christer Sjögren	50 000	759 635	-	-
Ron Long	25 000	66 000	-	-
CEO	360 000	-	-	76 465
Others (1 person)	1 239 590	-	-	334 488

	2015	2014
Consultancy fee board members	1 706 500	1 957 315

Remuneration to senior management corresponds to paid or balanced fees in 2015.

Base salary corresponds to remuneration as a board member.

Ron Long has balanced fees 275 000 SEK for years 2011-2014 and 25 000 SEK in 2015.

Nadia Whittley, Andris Kreicbergs and Kerstin Uvnäs-Moberg has balanced fees each by 50 000 SEK in 2015.

Johan Inbarr, CEO, signed for 160 000 share warrants in april 2015 after decision by the general assembly as a part of an incentive program for CEO. The share warrants were paid in cash after valuation according to generally accepted valuation model (Black & Scholes) which is to reflect the market value.

Transactions with senior management

The Company has acquired services from board members on a consultancy basis in 2015.

Total consultancy fees corresponds to 1 706 TSEK (1 957) regarding services of reasearch and development.

All transactions with senior management are based on arms-length. No other persons, or any close related persons, within senior management has been involved in direct or indirect unusual transactions or conditions.

Audit fees and expenses

	2015	2014
KPMG AB (Michael Brunosson)		
Audit services	40 000	40 000
Audit services in excess of the audit engagement	-	-
Tax consultancy	-	-
Other services	-	-

Corporate identity number 556776-3064

Audit services refer to the legally required examination of the annual report and the book-keeping, the Board of Director's and the Managing Director's management and other audit and examinations agreed-upon or determined by contract.

This includes other work assignments which rest upon the Company's auditor to conduct, and advising or other support justified by observations in the course of examination or execution of such other work assignments.

Note 3 Operating lease

Lease contracts where the Company is the lessee

	<u>2015-12-31</u>	<u>2014-12-31</u>
<i>Future minimum lease payments regarding non-cancellable operating lease contracts</i>		
Within one year	107 569	159 804
Between one and five years	154 767	101 486
Later then five years	—	—
	<u>262 336</u>	<u>261 290</u>
	<u>2015</u>	<u>2014</u>
The financial year's recognised lease expenses	190 592	100 503

Note 4 Capitalised expenditures for developments and similar

	<u>2015-12-31</u>	<u>2014-12-31</u>
<i>Accumulated acquisition costs</i>		
At the beginning of the year	28 273 972	20 131 561
Acquisitions	9 617 651	8 142 411
At the end of the year	<u>37 891 623</u>	<u>28 273 972</u>
Carrying amount at the end of the year	<u>37 891 623</u>	<u>28 273 972</u>

Note 5 Concessions, patents, licences, trademarks and similar rights

	<u>2015-12-31</u>	<u>2014-12-31</u>
<i>Accumulated acquisition costs</i>		
At the beginning of the year	6 332 377	5 236 275
Acquisitions	1 182 798	—
Reclassifications	—	1 096 102
At the end of the year	<u>7 515 175</u>	<u>6 332 377</u>
Carrying amount at the end of the year	<u>7 515 175</u>	<u>6 332 377</u>

In 2014 reclassification corresponds to swap of shares to immaterial rights.

Corporate identity number 556776-3064

Note 6 Equity

2015-12-31	Restricted equity			Non-restricted equity			Total equity
	Share capital	New share issue -not registered	Statutory reserve	Share premium reserve	Profit brought forward incl net profit/ loss for the year		
Opening balance	797 105			72 577 467	-32 464 548		40 910 024
Net profit/loss for the year					-13 960 021		-13 960 021
<i>Transactions with owners</i>							
Dividend							-
New share issue	147 091			14 341 333			14 488 424
Ongoing issues		973 245		26 687 457			27 660 702
Total	147 091	973 245	-	41 028 790	-13 960 021	-	28 189 105
<i>Reallocations of items in equity</i>							
Share warrants				40 000			40 000
Issue expenses				-1 624 917			-1 624 917
Total	-	-	-	-1 584 917	-	-	-1 584 917
At year end	944 196	973 245	-	112 021 340	-46 424 569		67 514 212

Note 7 Key ratios definitions

Equity ratio: Total equity / Total assets

Stockholm 2016-03-14Ronald Long
Chairman of the boardJohan Inbarr
CEO

Kerstin Uvnäs Moberg

Andris Kreicsberg

Nadia Whitley

Our audit report has been submitted 2016-03-23
KPMG ABMichael Brunosson
Authorized public accountant