Premune AB (publ.) and Subsidiary

CONSOLIDATED ANNUAL REPORT

AS OF AND FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

Administration Report

Organization, description of business and information regarding the operations

Premune AB ("Premune", the "Company", "we", "our" or "us") is a Swedish animal health company that is developing innovative treatments for allergies, GI health and other immune disorders to improve the quality of life for pets worldwide. The Company's scientific foundation is based on decades of research in bacteriology and immunology, focused on infant gut microbiota at Sahlgrenska University Hospital and the University of Gothenburg.

We were incorporated on November 10, 2011 and have an office in Stockholm, Sweden and a laboratory located in Gothenberg, Sweden. Our wholly owned US subsidiary, Premune, Inc., which was incorporated in April 2014 as a Delaware corporation, had approximately SEK 3 257 809 in total assets at December 31, 2014.

Our parent company is Serendipity Ixora AB (publ), and the ultimate parent of the group to which Premune belongs is Rootberg AB.

To date, the Company's expenditures primarily relate to general and administrative expenses associated with start-up, research and development related expenses, and various patent related expenditures incurred in protecting the Company's technologies. The Company has been unprofitable since its inception and has an accumulated deficit of SEK 66 421 144 at December 31, 2014. The Company expects to continue to incur significant operating losses for a number of years and may not become profitable, if at all, until it begins to generate revenue. To date, the Company has not generated any significant revenue and does not expect to generate such revenue for a number of years, if at all.

Significant events during the financial year

Throughout 2014, the Company, in collaboration with Agria, the Swedish Kennel Club (SKK), the Swedish University of Agricultural Sciences (SLU) and Royal Canin, continued the double-blinded, placebo controlled Proof of Concept study that was initiated in May of 2013. The study aims to investigate whether early immune stimulation with the Company's lead product candidate, PRE-01, can be used to reduce the incidence of canine atopic dermatitis. At the end of 2014, 126 client owned dogs were remaining in the study. The study is based on over 120 dogs to be followed from birth to age three. For further information please refer to Note 3.

Additionally, during 2014, the Company's product pipeline grew by three additional product candidates, PRE-02, PRE-03 and PRE-04. All product candidates added during 2014 were developed by Premune's internal research team. These product candidates are in the early pre-clinical stage and are focused on immune deficiency and the treatment of gastro-intestinal problems.

In April 2014, a US subsidiary was incorporated as a Delaware corporation. The US operations are headquartered in the New York City Metropolitan area to allow the Company to gain a foothold in the US animal health market, to attract senior executives with expertise in companion animal health, and to allow better access to the US life sciences investor community.

Operating expenses increased to SEK 30.2 million for the year ended December 31, 2014, from SEK 4.2 million for the year ended December 31, 2013, principally due to increased travel, legal and financial consulting costs associated with establishing the US subsidiary and the establishment of the arrangement with our Inventors (as defined below), increased personnel costs related to an increase in headcount as well as costs incurred in connection with the PRE-01 Proof of Concept study.

During the period, four share issuances were completed. Two issuances totaling 114 984 B-shares were completed in February 2014. Two issuances consisting of 100 312 B-class shares with an additional 100 312 warrants were completed in April 2014. In total, SEK 88 469 988 (net of transaction costs of SEK 5 284 499) was raised through cash share offerings in 2014.

In the aforementioned April offerings, one B-class share and one warrant were sold together at a price of SEK 886 per unit. Each warrant entitled its holder to purchase, at a price of SEK 0.80, new publicly listed share or shares of Premune AB (or its successor company) before January 1, 2015. The number of shares available for purchase determined as follows with the minimum set at one share:

[SEK 886 / (average offer price of new shares in SEK x 85%)] – 1

In December 2014, we entered into two agreements with members of the research team responsible for the company's primary technology (the "Inventors"). Under the terms of the first agreement, the Inventors relinquished their rights to future royalties related to the Company's current development candidates that may incorporate technology created and developed by the Inventors. In exchange for forgoing royalty rights, the Company issued 37 500 new B-class shares to the Inventors at a nominal price. In the second agreement, the Company issued an additional 27 733 new B-class shares to the Inventors for the exclusive right to acquire future inventions subject to certain milestone payments through December 2019. The transactions to account for the 65 233 new B-class shares were recognized as a SEK 28.8 million non-cash expense and was recorded in Research and development expenses in the Income Statement, which is consistent with the accounting for all of our internally developed research projects to date.

Significant events occurring after the balance sheet date:

Since the Company's shares were not listed on a public stock exchange before December 31, 2014, previously issued warrants, which entitled the holder to purchase one Premune AB B-class share at SEK 0.80 per share during the exercise period between January 1, 2015 through January 15, 2015, were exercised. As a result, 99 972 shares were sold for a total value of SEK 79 978 and the remaining 347 warrants expired.

In January 2015, Premune amended the option agreement that gives Agria first right to an exclusive negotiation for PRE-01. The amendment extends the exercise period by approximately three months, to June 30, 2015.

Risk management and financial function

Risk management is monitored and reported by the CEO of the company in a quarterly report to the Board. Risk management identifies, evaluates and monitors financial risks. Currently the primary risk identified is a risk of inability to secure sufficient liquid funds to enable Premune to continue with the development of its products.

For further information please see note 4.

Employees

The average number of employees was 7 (4 in 2013). At the balance sheet date the number of employees was 10.

Ownership structure

Five largest owners	Shares, %
Serendipity Ixora AB	49.14 %
Viktor Karlsson	3.15 %
Kjell Beijers 80-årsstiftelse	2.65 %
Stefan Stjärnström	1.95 %
Annika Bergström	1. 64 %

Environmental impact

Premune's operations do not involve any specific environmental risks and do not require any specific environmentaly permits or authorizations from authorities. Premune undertakes its operations according to the applicable health and safety regulations and maintains a safe working environment for its employees.

Proposed appropriation of profits

The Board proposes that accumulated losses including other paid in capital, totaling SEK 66 421 144 be carried forward.

For other information we refer to the following financial reports and Notes.

CONSOLIDATED INCOME STATEMENTS

All amounts in SEK	Note	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Revenue	6	–	325 590	–
Other income	7	1 536 524	585 005	77 465
Total income		**1 536 524**	**910 595**	**77 465**
Operating expenses				
Research and development	7	-32 238 023	-1 225 443	-867 869
General and administrative		-29 354 162	-3 015 126	-2 379 937
Other operating expenses		-7 331	-1 931	–
Total operating expenses		**-61 599 516**	**-4 242 500**	**-3 247 806**
Operating loss		**-60 062 992**	**-3 331 905**	**-3 170 341**
Financial income	11	997 716	20 204	8 458
Financial expenses	11	-161	-226	-274
Result from financial items		**997 555**	**19 978**	**8 184**
Loss before tax		**-59 065 437**	**-3 311 927**	**-3 162 157**
Income tax	12	–	–	–
Loss for the year		**-59 065 437**	**-3 311 927**	**-3 162 157**

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Loss for the year	**-59 065 437**	**-3 311 927**	**-3 162 157**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Translation differences	-807 017	–	–
Other comprehensive income for the year, net of tax	**-807 017**	–	–
Total comprehensive income for the year	**-59 872 454**	**-3 311 927**	**-3 162 157**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

All amounts in SEK	Note	2014-12-31	2013-12-31	2012-12-31
ASSETS				
Non-Current Assets				
Property and equipment	13	205 555	–	–
Financial assets	13	1 197 058	–	–
Total non-current assets		**1 402 613**	**–**	**–**
Current Assets				
Trade receivables	14	110 773	44 665	–
Other receivables	14	957 020	268 308	283 594
Prepaid expenses and accrued income	14	683 510	5 000	65 465
Cash and cash equivalents	15	69 710 860	13 212 479	3 385 269
Total current assets		**71 462 163**	**13 530 452**	**3 734 328**
TOTAL ASSETS		**72 864 776**	**13 530 452**	**3 734 328**

All amounts in SEK	Note	2014-12-31	2013-12-31	2012-12-31
EQUITY	16			
Share capital		681 097	57 084	56 600
Other paid-in-capital		131 295 320	14 553 786	6 337 400
Retained earnings including results for the year		-66 421 144	-6 548 691	-3 236 764
Total equity		**65 555 273**	**8 062 179**	**3 157 236**
LIABILITIES				
Current liabilities				
Trade payables		721 654	417 386	169 752
Other liabilities	17	111 808	3 121 257	31 838
Accrued expenses	17	6 476 041	1 929 631	375 502
Total liabilities		**7 309 503**	**5 468 273**	**577 092**
TOTAL EQUITY AND LIABILITIES		**72 864 776**	**13 530 452**	**3 734 328**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

All amounts in SEK

	Note	Share Capital	Other Paid in Capital	Retained Earnings	Total Equity
Balance at January 1, 2012	16	**50 000**	**600 000**	**-74 607**	**575 393**
Comprehensive income					
Loss for the year		–	–	-3 162 157	**-3 162 157**
Total comprehensive loss		–	–	-3 162 157	**-3 162 157**
Transactions with owners					
New share issue		6 600	5 737 400	–	**5 744 000**
Total transactions with shareholders		6 600	5 737 400	–	**5 744 000**
Balance at December 31, 2012		**56 600**	**6 337 400**	**-3 236 764**	**3 157 236**
Balance at January 1, 2013	16	**56 600**	**6 337 400**	**-3 236 764**	**3 157 236**
Comprehensive income					
Loss for the year				-3 311 927	**-3 311 927**
Total comprehensive income		–	–	-3 311 927	**-3 311 927**
Transactions with shareholders					
New share issue		484	9 619 190		**9 619 674**
Expenses related to new share issue			-1 402 804		**-1 402 804**
Total transactions with shareholders		484	8 216 386	–	**8 216 870**
Balance at December 31, 2013		**57 084**	**14 553 786**	**-6 548 691**	**8 062 179**
Balance at January 1, 2014	16	**57 084**	**14 553 786**	**-6 548 691**	**8 062 179**
Comprehensive income					
Loss for the year				-59 065 437	**-59 065 437**
Other comprehensive income for the year					
Translation differences				-807 017	**-807 017**
Total comprehensive loss		–	–	-59 872 454	**-59 872 454**
Transactions with shareholders					
New share issue		167 023	122 483 022		**122 650 045**
Expenses related to new issue			-5 284 499		**-5 284 499**
Stock dividend		456 989	-456 989		–
Total transactions with shareholders		624 013	116 741 534	–	**117 365 547**
Balance at December 31, 2014		**681 097**	**131 295 320**	**-66 421 144**	**65 555 273**

CONSOLIDATED STATEMENTS OF CASH FLOWS

All amounts in SEK	Note	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2011-01-01 2012-12-31
Cash flows from operating activities				
Operating loss		-60 062 992	-3 331 905	-3 170 341
Adjustment for: depreciation and amortization				
Depreciation and amortization		5 872	–	–
Non-cash charge for settlement of royalty agreements		28 895 558	–	–
Interest received		177 029	20 204	8 458
Interest paid		-10 057	-226	-274
Cash flows from operating activities before changes in working capital		**–30 994 590**	**-3 311 927**	**-3 162 157**
Changes in working capital				
Increase/decrease in trade and other current receivables		-1 408 958	31 086	-348 902
Increase/decrease in trade payable		1 162 075	247 634	168 969
Increase/decrease in other current liabilities		304 268	1 632 100	378 197
Total changes in working capital		**57 385**	**1 910 820**	**198 264**
Cash flows used in operating activities		**–30 937 205**	**-1 401 107**	**-2 963 893**
Cash flows from investing activities				
Purchases of property and equipment		-211 427	–	–
Increase in restricted cash and deposits		-1 050 649	–	–
Cash flows from investing activities		**-1 262 076**	**–**	**–**
Cash flows from financing activities				
New share issue, net of expenses		88 469 988	8 216 870	5 744 000
Pre-paid new share issue		–	3 011 448	–
Cash flows from financing activities		**88 469 988**	**11 228 318**	**5 744 000**
Cash flows for the period		**56 270 707**	**9 827 210**	**2 780 107**
Cash and cash equivalents at beginning of the period		13 212 479	3 385 269	605 162
Effect of exchange rate fluctuations on cash held		227 674	–	–
Cash and cash equivalents at end of the period	15	**69 710 860**	**13 212 479**	**3 385 269**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 General information

Premune AB ("Premune", the "Company", "we", "our" or "us") is a Swedish Animal Health company developing innovative treatments for allergies, inflammatory bowel disease and other immune disorders, working to improve the quality of life of pets worldwide. The Company is based on research in bacteriology and immunology at Sahlgrenska University Hospital and University of Gothenburg, with decades of experience on infant gut flora.

The Company is a limited liability company with registered offices in Stockholm, Sweden. The address of the office is Stureplan 15, SE-111 45 Stockholm.

Premune's parent company is Serendipity Ixora AB (publ), and the ultimate parent of the group to which Premune belongs is Rootberg AB.

All amounts are reported in Swedish krona (SEK), unless stated otherwise.

Note 2 Summary of key accounting principles

2.1 Basis for preparation of the Annual Reports

We prepare our financial statements on the accrual basis of accounting in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts act. Revenues are recognized in the period in which they are earned. The accounts have been prepared in accordance with IAS 27 "*Consolidated and Separate Financial Statements*." The financial statements have been prepared in accordance with the historical cost method. The Company does not have any financial instruments valued at fair value. The critical accounting policies applied in these financial statements are presented below.

The preparation of financial statements in conjunction with IFRS requires the application of certain important estimates for accounting purposes. Furthermore, it is required that management undertakes a number of assessments regarding the application of the Company's accounting policies. Areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are significant to the financial statements, are detailed in Note 4.

New and revised standards adopted by the Company during the current period

New or revised accounting standards or interpretations that have been published but are not yet effective have not been applied. New and amended accounting standards and interpretations effective from 2014 are of a very limited scope and impact to Premune and have not had any effect on Premune financial statements.

2.2 Segment reporting

Premune currently has limited operations and the operations are monitored on a Company level. Hence, there is only one segment reported.

2.3 Translation of foreign currency

Functional currency and reporting currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in SEK, which is the Company's functional currency. The Company's US subsidiary prepares its accounts locally in US dollars. Assets and liabilities presented in the Statements of Financial Position are translated at the respective balance rate. Income and expenses presented in the Income Statements are translated at the average exchange rate for the reporting periods.

Transactions and balances
Transactions in foreign currency are translated to the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are reported in the Income Statement. Foreign exchange gains and losses referring to loans and borrowings are reported as financial income or expenses, while other foreign exchange gains and losses are reported as part of operating profit or loss.

2.4 Intangible assets

Research and development
Expenditures for research are recognized as an expense as incurred. Development of internally created new products are recognized as an intangible asset when the following criteria are met:

a) It is technically feasible to complete the development of the product so that it will be available for use;
b) Management intends to complete the product and use or sell it;
c) There is an ability to use or sell the product;
d) It can be demonstrated how the product will generate probable future economic benefits;
e) Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
f) The expenditures attributable to the product during its development can be reliably measured.

Due to the character of regulations surrounding Premune’s products and approval processes, no intangible assets for internal development have been recognized as an intangible asset to date. All research and development related expenditures have therefore been recognized as an expense in the Income Statement. An assessment is made at each major milestone in the Company's product development and Premune may capitalize costs relating to research and development in the future.

Patents
Patents consist of legal fees and patent application costs. All internally generated patent related costs are expensed as incurred.

2.5 Property and equipment

Property, plant and equipment are reported at historical cost less depreciation. The historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset’s book value or are reported as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company, and when the cost of the item can be measured reliably. The book values of any portions of assets that are replaced are de-recognized. All other forms of repair and maintenance are reported as expenses in the Income Statement during the period in which they incur.

Residual values and useful lives of all property and equipment are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset’s book value is immediately written down to its recoverable amount if that asset’s book value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds from the associated sale of an asset with its book value at he date of sale, and are reported in the Income Statement within Other operating income or Other operating expenses.

2.6 Impairment of non-financial assets

Property and equipment and intangible assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value of an asset may not be recoverable. An impairment loss is reported in the amount by which the asset’s book value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value, less costs to sell, and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Tangible and intangible assets that have been impaired are reviewed at each reporting date for possible reversal of the impairment.

2.7 Financial instruments

The Company classifies its financial assets and liabilities in the following categories: financial assets and liabilities at fair value through profit and loss, loans and receivables, financial assets available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired.

As of December 31, 2014 the Company only has cash and receivables and other financial liabilities. These are valued at cost.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These amounts are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as Non-current assets. Loans and receivables are reported in the Statement of Financial Position as trade receivables, other receivables, accrued income and financial assets, respectively. Cash and cash equivalents are also included in this category.

Other financial liabilities
Trade payable and other payables are classified as other financial liabilities.

General principles
Financial assets and liabilities are initially reported at fair value plus transaction costs (for assets) and minus transaction costs (for liabilities) for all financial assets and liabilities not carried at fair value through profit or loss. Financial assets and liabilities reported at fair value through profit or loss are initially reported at fair value, and transaction costs are expensed in the Income Statement. Financial assets are de-recognized when the right to receive cash flows from the investments has expired or has been transferred and the Company has transferred, substantially, all risks and rewards of ownership. Financial liabilities are de-recognized in the balance sheet when the commitment in the agreement has been fulfilled or otherwise extinguished.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are reported at amortized cost using the effective interest method.

Impairment of financial assets
The Company assesses, at the end of each reporting period, whether there is objective evidence that there is a need for impairment of a financial asset or group of financial assets. A need for impairment of financial asset or group of financial assets exists as a consequence of one or more events occurring after the initial reporting of the asset and of this event having an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

2.8 Inventories

Inventories are stated at the lower of acquisition value and net realizable value. Acquisition value is determined using the first-in, first-out (FIFO) method. The cost of goods for resale comprises the cost of acquisition of the goods. This cost excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The required provision for obsolescence has been made on the basis of individual assessment.

As of December 31, 2014 the Company does not hold any inventories.

2.9 Accounts receivable

Accounts receivable are reported initially at fair value and are subsequently measured at amortized cost value using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties on behalf of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments (more than 30-60 days overdue, depending on the client's geographical location) are considered indications that the account receivable is impaired. The amount of the provision is the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate.

The book values of accounts receivable, after any impairment, are presumed to correspond to their fair value, as this item is of a short-term nature.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are reported as borrowings and classified as Current liabilities.

2.11 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are reported in equity as a deduction, net of tax, from the proceeds.

Stock-based compensation
Stock-based compensation is accounted for in accordance with the provisions of IFRS 2 that requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. We estimate the fair value of stock-based awards on the date of grant using the Black-Scholes option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight-line method. See additional information in Note 21.

2.12 Trade payables

Trade payable are reported initially at fair value and subsequently measured at amortized cost using the effective interest method. The book value of a trade payable is expected to correspond with the fair value of the account payable, as this item is of a short-term nature.

2.13 Current tax and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at balance sheet date where Company's taxable income was generated. Management periodically evaluates positions taken in tax returns with respect to circumstances in which the applicable tax regulation is subject to interpretation. Management establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is reported, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, deferred income tax is not accounted for if it arises from the initial reporting of an asset or liability in a transaction other than a business combination which, at the time of the transaction, impacts neither reported or fiscal results. The deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, at balance sheet date and which are expected to apply when the related deferred income tax asset is realized, or when the deferred income tax liability is settled.

Deferred income tax assets are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

2.14 Remuneration to employees

Retirement benefit obligations
The Company only has defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an insurance company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services.

For defined contribution plans, Premune pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are reported as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits
Termination benefits are payable when employment is terminated by Premune before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Premune recognizes termination benefits at the earlier of the following dates: a) when the Company can no longer withdraw the offer of those benefits; and b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.15 Provisions

Provisions are reported when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Provisions are not reported for future operating losses.

Provisions are valued at the present value of the expenditures which are expected to be required to settle the obligation using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the provision. The successive increase in the total amount of the provision incurred, due to the provision continuing to be reported over a long period of time, is reported as an interest expense.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received, or to be received, for the sale of goods and services. The Company recognizes revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when the specific criteria described below for each type of activity has been fulfilled.

Sales of products
Premune sells its own products as well as products licensed by other companies. Sales of goods are recognized when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the acceptance of the products. Sales are recorded based on the price specified in the sales contracts, net of any

discounts. Provisions are made for royalties to be paid to other companies for the sale of their products and are recorded as an expense.

Government grants / other grants
Premune receives grants for research and development expenditures. Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all related terms.

Interest income
Interest income is reported using the effective interest method.

2.17 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company does not have any finance lease contracts under IAS 17.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is reported as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. No dividends will be proposed to the 2015 annual general meeting regarding the operations for 2014.

Note 3 Cooperation Agreement

In 2013, Premune signed a cooperation agreement with Agria Pet Insurance ("Agria"), Sweden's leading pet insurance company. The agreement includes collaboration on Premune's ongoing field study in the area of canine atopic dermatitis and the development of a common approach to enable a more favorable insurance model for existing allergies in dogs. As part of the agreement, Agria agreed to cover part of Premune's costs incurred during the studies.

Throughout 2014, the Company, in collaboration with Agria, the Swedish Kennel Club (SKK), the Swedish University of Agricultural Sciences (SLU) and Royal Canin, continued the double-blinded, placebo controlled Proof of Concept study that was initiated in May of 2013. The study aims to investigate whether early immune stimulation with the Company's lead product candidate, PRE-01, can be used to reduce the incidence of canine atopic dermatitis. At the end of 2014, 126 client owned dogs were remaining in the study. The study is based on over 120 dogs to be followed from birth to age three.

The Company recognized SEK 1 252 625 and SEK 350 000 as Other income under the agreement during the years ended December 31, 2014 and 2013, respectively.

Subsequent Event

In January 2015, Premune amended the option agreement that gives Agria first right to an exclusive negotiation for PRE-01. The amendment extends the exercise period by approximately three months, to June 30, 2015.

Note 4 Financial risk management

The Company's activities may be exposed to a variety of financial risks: market risks (currency risk and interest rate risk), credit risk and liquidity risk/financing risk.

Market risk

(i) Foreign exchange risk

Premune is seeking to be an international Company with operations in several countries. The Company's reporting currency is SEK. This exposes the Company to foreign exchange risk due to fluctuations in currency exchange rates that may impact the Company's results and equity.

Exposure to currency fluctuations is usually specified according to two main categories: translation exposure and transaction exposure.

Translation exposure
Translation exposure refers to the exposure attributable to changes in the currency exchange of the US dollar. Such changes impact the amounts that have been recorded in Premune Inc.'s account balances and operating results and which have been consolidated and incorporated into these financial statements at the period of reporting.

Transaction exposure
Transaction exposure refers both to the exposure attributable to commercial flows, that is, sales and purchases across international borders, and the exposure from financial flows. Currently there are no major significant currency transactions.

(ii) Cash flow and fair value interest rate risks

Currently we do not see any risk in cash flows or fair value interest risks, as all operations are financed through equity.

Credit risk

Credit risk or counter party risk is the risk that the counter party in a financial transaction will not fulfill its obligations on maturity date. Currently we have trade receivable to a limited extent, see note 11.

Liquidity risk/Financing risk

At December 31, 2013, the Company had accessible liquidity of SEK 69 710 860. All financial liabilities have a maturity date within 3 months from the balance sheet date. The financial liabilities do not carry any interest and the recognized values correspond to the undiscounted contractual cash-flows.

Management of capital risk
The aim of the current capital structure is to secure the Company's ability to continue its operations in order to generate returns to its shareholders and to provide benefit for other stakeholders, and to minimize the cost of capital.

Currently our operations are funded primarily through equity.

Financial instruments per category
Currently the Company does not have any financial instruments measured at fair value. In the following table a summary of all financial assets and liabilities are displayed, with reference to notes for further explanation of the content of each item. The carrying amounts are reasonable approximations of the fair value, since maturities are short.

	Loans and Receivables	Financial Assets at Fair Value	Total
2014-12-31			
Financial assets in balance sheet			
Trade receivables (Note 14)	110 773	–	**110 773**
Other receivables (Note 14)	957 020	–	**957 020**
Cash and cash equivalents (Note 15)	69 710 860	–	**69 710 860**
Total	70 778 653	–	**70 778 653**

	Financial Liabilities Measured at Fair Value	Other Financial Liabilities	Total
2014-12-31			
Financial liabilities in balance sheet			
Trade payables	721 654	–	**721 654**

Other liabilities (Note 17)	111 808	–	**111 808**
Accrued expenses (Note 17)	6 476 041	–	**6 476 041**
Total	**7 309 503**	–	**7 309 503**

	Loans and Receivables	Financial Assets at Fair Value	Total
2013-12-31			
Financial assets in balance sheet			
Trade receivables (Note 14)	44 665	–	**44 665**
Other receivables (Note 14)	268 308	–	**268 308**
Cash and cash equivalents (Note 15)	13 212 479	–	**13 212 479**
Total	13 525 452	–	**13 525 452**

	Financial Liabilities Measured at Fair Value	Other Financial Liabilities	Total
2013-12-31			
Financial liabilities in balance sheet			
Trade payables	417 386	–	**417 386**
Other liabilities (Note 17)	3 121 257	–	**3 121 257**
Accrued expenses (Note 17)	1 929 631	–	**1 929 631**
Total	**5 468 273**	–	**5 468 273**

	Loans and Receivables	Financial Assets at Fair Value	Total
2012-12-31			
Financial assets in balance sheet			
Other receivables (Note 14)	283 594	–	**283 594**
Cash and cash equivalents (Note 15)	3 385 269	–	**3 385 269**
Total	3 668 863	–	**3 668 863**

	Financial Liabilities Measured at Fair Value	Other Financial Liabilities	Total
2012-12-31			
Financial liabilities in balance sheet			
Trade payables	169 752	–	**169 752**
Other liabilities (Note 17)	31 838	–	**31 838**
Accrued expenses (Note 17)	375 502	–	**375 502**
Total	**577 092**	–	**577 092**

Note 5 Critical estimates and assessments in applying the Company's accounting principles

Estimates and assessments are continually evaluated and are based on historical experience and other factors, including expectations of future events deemed to be reasonable under applicable circumstances.

Critical accounting estimates and judgments

The Company undertakes estimates and assumptions concerning future developments. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions entailing a significant risk of a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

Research and development expenditures

Premune assesses research and development projects as to whether they should be expensed or recorded as an asset and amortized. Through December 31, 2014, no expenditures have been deemed to fulfill the criteria specified under section 2.4 *Intangible assets* above.

Valuation of loss carry-forward

The Company conducts annual tests as to whether deferred tax assets on fiscal loss carry-forwards have suffered any valuation allowance. In addition, the Company investigates the possibility of capitalizing new deferred tax assets with regard to the year's fiscal loss carry-forwards, should this be applicable. Deferred tax assets are reported only in those cases in which it is probable that future tax surpluses will be available against which the temporary difference can be utilized.

Due to the history of operating losses incurred over the periods presented in these financial statements, Premune has not recognized any deferred tax assets regarding the tax losses available to be carried forward. The total loss carry-forward, for which no deferred tax asset has been recognized, as of December 31, 2014 and 2013 totaled SEK 66 421 144 and SEK 6 548 691. See note 12 regarding income taxes.

Note 6 Segment reporting

Premune currently has limited operations and the operations are monitored on a Company level. Hence, there is only one segment reported internally, which corresponds to the income statement of the Company. The Company did not have any sales during 2014. Other income was derived from invoiced expenditures and grants.

Note 7 Operating income and research and development expenses

Other operating income

	2014-01-01 2014-12-31	**2013-01-01 2013-12-31**	**2012-11-10 2012-12-31**
Invoiced expenditures	278 979	215 005	65 465
Exchange rate gains	4 920	–	–
Grants received for research and development	1 252 625	370 000	12 000
Total Other operating income	**1 536 524**	**585 005**	**77 465**

Research and development expenses

	2014-01-01 2014-12-31	**2013-01-01 2013-12-31**	**2012-11-10 2012-12-31**
Non-cash charge for settlement of royalty agreements	-28 799 109	–	–
Other research and development expenses	-3 438 914	-1 225 443	-867 869
Total Other operating expenses	**-32 238 023**	**-1 225 443**	**-867 869**

Note 8 Auditor’s remuneration

Audit assignment refers to the examination of the annual financial statements and accounting records, as well as the administration of the Board of Directors and the Managing Director. Other assignments include tasks whose execution is the responsibility of the Company’s auditors, as well as the provision of advisory services or other assistance resulting from observations made during such assignments. All other services include tax consultancy or other assignments.

During 2014 KPMG were appointed auditors.

	2014-01-01 2014-12-31	**2013-01-01 2013-12-31**	**2012-01-01 2012-12-31**
EY			
Audit assignment	–	26 000	15 000
Other audit assignments	16 000	–	–
Tax consultancy	–	–	–
	16 000	**26 000**	**15 000**
KPMG			
Audit assignment	403 000	–	–
Other audit assignments	–	–	–
Tax consultancy	–	–	–
Other assignments	–	–	–
	403 000	**–**	**–**
Total	**419 000**	**26 000**	**15 000**

Note 9 Remuneration to employees and disclosure regarding personnel

Employee benefits Group	**2014-01-01 2014-12-31**	**2013-01-01 2013-12-31**	**2012-01-10 2012-12-31**
Salaries and remuneration	8 696 791	1 578 900	775 041
Company paid benefits for US employees	205 551		
Social security and employer paid taxes for US employees	313 496		
Social security expenses for Swedish employees	594 045	419 112	182 251
Pension costs – defined contribution plans	93 278	–	–
Total employee benefits	**9 903 161**	**1 998 012**	**957 292**

During 2014 the Company implemented a pension plan of one of its employees.

At the beginning of 2015 the Company implemented pension plans for all the company's other employees in Sweden.

	2014-01-01 2014-12-31		2013-01-01 2013-12-31		2012-01-10 2012-12-31	
	Salaries and other remune-ration *	Pension expenses	Salaries and other remune-ration	Pension expenses	Salaries and other remune-ration	Pension expenses
Board members and other senior executives	300 000	–	300 000	–	200 000	–
Managing Director	579 740		421 027		384 600	
Other employees	6 213 297	93 278	857 873	–	390 441	–
Stock-based compensation	1 903 753	–	–	–	–	–
Total	**8 996 790**	**93 278**	**1 578 900**	**–**	**975 041**	**–**

At the Annual General Meeting held on March 22, 2013, it was decided that each non-executive director would be paid SEK 50 000 per annum for attendance at board meetings. Board members have invoiced the company a total of SEK 1.4 million in 2013 and 2012 for their services.

Note 10 Depreciation of property and equipment

The Company purchased laboratory equipment in November of 2014. These machines are depreciated over 3 years. See Note 13.

Annual Depreciation	**2014-01-01 2014-12-31**	**2013-01-01 2013-12-31**	**2012-01-01 2012-12-31**
Depreciation of property and equipment	5 873	–	–
Total depreciation	**5 873**	**–**	**–**

Note 11 Financial income and financial expenses

	2014-01-01 2014-12-31	**2013-01-01 2013-12-31**	**2012-01-10 2012-12-31**
Financial income			
Exchange rate gains	812 776	–	–
Interest income	184 940	20 204	8 457
Total financial income	**997 716**	**20 204**	**8 457**
Financial expenses			
Interest expenses	-161	-226	-274
Total financial expenses	**-161**	**-226**	**-274**
Net financial items	**997 555**	**19 978**	**8 183**

Note 12 Income tax

	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-10 2012-12-31
Income before tax	-59 065 437	-3 311 927	-3 162 157
Income tax calculated in accordance with applicable tax rate*	13 611 451	728 624	831 647
Non-taxable income	209	305	2
Non-deductible expenses	-8 241 734	-7 440	-3 215
Tax losses for which no deferred tax asset is reported	-5 369 926	-721 489	-828 435
Income tax expense / income	–	–	–

*) For Sweden, the tax rate for 2014 and 2013 is 22.0% and for 2012 is 26.3%. For the US, the tax rate was 35.0% for 2014.

No deferred tax asset has been recognized regarding loss carry-forwards, due to the history of losses.

The Company's accumulated loss carry-forwards for Swedish taxes amounted to:

Loss Carry-forwards as of December 31, 2012 (accumulated)	SEK 3 236 764
Loss Carry-forwards as of December 31, 2013 (accumulated)	SEK 6 548 691
Loss Carry-forwards as of December 31, 2014 (accumulated)	SEK 27 623 685
Deferred tax asset at 22 percent tax rate (not recognized)	SEK 6 206 044

The Company's accumulated loss carry-forwards for US taxes amounted to:

Loss Carry-forwards as of December 31, 2014 (accumulated)	SEK 8 236 508

The loss carryforward of SEK 8 236 508 (USD 1,054,381) expires in 2034. The US corporate tax rate is 35% and carryforwards are fully reserved. The related deferred tax asset approximates SEK 2 882 778.

Note 13 Non-current assets

Property and equipment	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Investments in property and equipment	211 428	–	–
Accumulated depreciation	-5 873	–	–
Net book value	**205 555**	**–**	**–**

Financial assets	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Restricted cash to secure lease of New York premises	1 144 719	–	–
Deposits	52 339	–	–
Total financial assets	**1 197 058**	**–**	**–**

Note 14 Current receivables

Trade receivables

	2014-12-31	2013-12-31	2012-12-31
Accounts receivable	110 773	44 665	–
Trade receivables - net	**110 773**	**44 665**	**–**

The fair value of the trade receivables corresponds to the book value. There are no accounts receivable impaired, nor past due.

Prepaid expenses and accrued income

	2014-12-31	2013-12-31	2012-12-31
Accrued income	9 055	–	65 465
Prepaid costs for IT system	475 184	–	–
Other	199 271	5 000	–
Total prepaid expenses and accrued income	**683 510**	**5 000**	**65 465**

Other receivables	2014-12-31	2013-12-31	2012-12-31
Tax account - receivable	1 064	57 046	7
VAT	955 956	204 336	283 587
Other short-term receivables		6 926	–
Total other receivables	**957 020**	**268 308**	**283 594**

Note 15 Cash and cash equivalents

Total liquid funds for the years ended December 31, 2014, 2013 and 2012 amounted to SEK 69 710 860 , SEK 13 212 479 and SEK 3 385 269, respectively. The Company finances its operations primarily with equity. The cash is normally payable on demand on the same bank day and has no restrictions.

Note 16 Share capital and other contributed capital

A specification of changes in equity is found in the Statement of Changes in Equity, which immediately follows the Statement of Financial Position.

	Number of A shares	Number of B shares	Share capital	Other paid in capital	Total
Opening balance on January 1, 2012	**490**	**10**	**50 000**	**600 000**	**650 000**
New share issue - cash	–	66	6 600	5 737 400	**5 744 000**
Change in shares	-40	40	–	–	**–**
Closing balance on December 31, 2012	**450**	**116**	**56 600**	**6 337 400**	**6 394 000**
Split of shares 1:1000 ***	449 550	115 884	–	–	**–**
New share issues - cash	–	4 842	484	9 619 190	**9 619 674**
Expenses – new share issue	–	–	–	-1 402 804	**-1 402 804**
Closing balance on December 31, 2013	**450 000**	**120 842**	**57 084**	**14 553 786**	**14 610 870**
Stock dividend ****	–	–	456 989	-456 989	**–**
Conversion of shares	-100 000	100 000			**–**
New share issues	–	280 529	167 024	122 483 023	**122 650 047**
Expenses – new share issue	–	–	–	-5 284 499	**-5 284 499**
Closing balance on December 31, 2014	**350 000**	**501 371**	**681 097**	**131 295 320**	**131 976 417**

* Each B-class share entitles the holder to one vote and each A-class share entitles the holder to 10 votes.

**) Conditional shareholder contribution, which the Company received in 2011 in the amount of SEK 600 000, may be reimbursed to the shareholder who made the contribution, before dividends may be paid to the other shareholders.

***) At the Annual General Meeting held on March 22, 2013, a share split ("split") was effected whereas each share was divided into one thousand shares. As a result, the quota value of each share was reduced from SEK 100 to SEK 0.10.

**** At the Annual General Meeting held on November 20, 2014 a stock dividend was declared whereby the share capital increased by SEK 456 989. The quota value increased to SEK 0.80.

All shares were registered with the Swedish Companies Registration Office on the date that the shares were fully paid or stock dividend declared.

The 5 largest shareholders are:

Serendipity Ixora AB	49.14%
Viktor Karlsson	3.15%
Kjell Beijers 80-årsstiftelse	2.65%
Stefan Stjärnström	1.95%
Annika Bergström	1.64%

Note 17 Other liabilities and accrued expenses

Other liabilities

	2014-12-31	2013-12-31	2012-12-31
Pre-payment, new share issue	–	3 011 448	–
Taxes related to employee benefits	107 817	109 809	31 838
Other	3 991	–	–
Total other liabilities	**111 808**	**3 121 257**	**31 838**

Accrued expenses

	2014-12-31	2013-12-31	2012-12-31
Accrued holiday pay	160 447	58 595	–
Accrued bonus for US employees	265 188	–	–
Accrued stock-based compensation expense -US employees (Note 21)	2 169 043	–	–
Accrued social security contributions	66 122	34 121	–
Accrued director's compensation	50 000	300 000	–
Deferred expenses new share issue	–	1 402 804	–
Accruals for unbilled services	3 462 643	–	–
Other	302 898	134 111	375 502
Total accrued expenses	**6 476 341**	**1 929 631**	**375 502**

Note 18 Commitments

Operating lease commitments

We lease our laboratory in Gothenburg and our administrative office spaces in Stockholm and New York City. With respect to our New York office, the difference between minimum rent and straight-line rent is classified as deferred rent payable, which approximated SEK 236 140 at December 31, 2014, and is recorded in Deferred and accrued expenses on the Statement of Financial Position at that date. Pursuant to the terms of the New York City lease, during the second fiscal quarter of 2014 we restricted SEK 1 144 719 to secure a letter of credit in favor of our landlord (see Subsequent event, below). We lease our laboratory space in Gothenburg on a monthly basis without commitment and which can be cancelled with one-month notice.

The future aggregate minimum lease payments under a non-cancellable operating lease for the Stockholm office is as follows:

	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Within one year	241 991	133 603	–
Between one and 5 years	0	400 811	–
Total	**241 991**	**534 414**	**–**

Expenses for operating leases for the years ended December 31, 2014, 2013 and 2012 were SEK 1 204 814, SEK44 582 and SEK 0, respectively.

Subsequent Event

Effective February 1, 2015, we terminated our lease for our Stockholm office located at Kungsgatan 3 , 111 45. We will occupy the space and make lease payments through October 31, 2015.

On April 29, 2015, the lease for the New York office, which had a contractual expiration of May 17, 2017, was assigned to a third party. Effective as of that date, the restriction of cash was released and the letter of credit cancelled. The personnel in New York moved into a temporary office facility that is being leased on a monthly basis without commitment and which can be cancelled on one-month notice. As a result, the table above appropriately does not reflect any lease commitment for the New York office.

Note 19 Transactions with related parties

For a description of salaries and other remuneration to senior executives - see Note 9 *Remuneration to employees*.

We have defined the Company's management, it's Board of Directors, Premune AB and the owners of Premune AB and all its subsidiaries as related parties. Swecure AB has been defined as a related party since Serendipity Ixora AB is the largest shareholder in both companies and Swecure and Premune share board members.

Expenses to related parties

	2014-12-31	2013-12-31	2012-12-31
Consultancy fees - legal advice	2 463 490	518 064	98 667
Purchased laboratory services	117 394	–	–
Book keeping and other admin services	–	64 161	–
Remuneration to board members (note 9)	300 000	300 000	200 000
Rent and other cost for premises	45 963	56 214	–
Other related party transactions	–	37 989	–
Total expenses to related parties	**2 926 847**	**976 428**	**298 667**

Income from related parties

	2014-12-31	2013-12-31	2012-12-31
Expenses invoiced	279 003	280 476	–
Total income from related parties	**279 003**	**280 476**	**–**

Consultancy fees come from board members who have worked for the Company in addition to their work in the board. Laboratory services and rent are paid to Swecure AB for the shared facilities in Gothenburg.

The revenue comes Income is generated from Swecure AB and consists of invoiced expenses for the shared facilities in Gothenburg.

Note 20. Stock options

The Company does not have an equity incentive plan, however, 45 339 stock options were granted to the employees of Premune, Inc. during 2014. In connection with the issuances, which vest ratably over five years, we incurred approximately SEK 2 169 043 of stock-based compensation expense that is recorded as a liability on the Statement of Financial Position since the grants have not yet been issued. The related expense has been recognized as general and administrative expense in the Income Statement.

A summary of employee option activity for the year ended December 31, 2014, 2013 and 2012, is as follows:

	Options Outstanding		
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Outstanding December 31, 2013	0	n/a	n/a
Granted	45,339	441	
Exercised	0	0	
Cancelled or expired	0	0	
Outstanding December 31, 2014	45,339	441	4.5

As of December 31, 2014, total unrecognized compensation cost related to non-vested stock options granted to employees was SEK 16 149 937, which we expect to recognize over the next 4.5 years.

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model for stock-based compensation expense requires us to make assumptions and judgments about the variables used in the calculation, including the fair value of our common stock, the expected term (the period of time that the options granted are expected to be outstanding), the volatility of our common stock, a risk-free interest rate, and expected dividends. We also estimate forfeitures of unvested stock options. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. We use an expected dividend yield of zero, as we do not anticipate paying any dividends in the foreseeable future. Expected forfeitures are assumed to be zero due to the small number of plan participants and the plan design that has monthly vesting.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted to employees during the periods presented:

	Year Ended December 31,		
	2014	**2013**	**2012**
Volatility	79.90%	n/a	n/a
Risk free interest rate	2.5%	n/a	n/a
Dividend yield	—	—	—
Term (years)	5.00	n/a	n/a
Weighted-average fair value of options granted during the period	441	n/a	n/a

Board's certification

The Company's Annual Report will be presented for adoption at the Annual General Meeting on June 26, 2015.

Stockholm,

Saeid Esmaeilzadeh Chair of the Board, Board Member	Christer Hellström Board Member
Alf Lindberg Board Member	Jeppe Magnusson Board Member
Agnes Wold Board Member	Viktor Karlsson Managing Director

The Company's Audit Report was presented on
KPMG AB

Duane Swanson
Authorized Public Accountant

Auditor’s report

To the Board of Directors of Premune AB, corp. id 556871-4777

Report on the consolidated annual report

We have audited the consolidated annual report of Premune AB for the year 2014.

Responsibilities of the Board of Directors and the Man-aging Director for the consolidated annual report

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the consolidated annual report in accordance with Inter-national Financial Reporting Standards, as adopted by the EU and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of consolidated annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated annual report based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual consolidated report. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the consolidated annual report 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

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

Opinion
In our opinion, the consolidated annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act.

Stockholm 4 June 2015

KPMG AB

Duane Swanson
Authorized Public Account-ant