

# Nuevolution A/S

Rønnegade 8  
2100 Copenhagen Ø

CVR-nr. 26 02 97 08

## Annual Report for 2016/17

Approved at the annual general meeting of shareholders

on 7 November 2017



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Chairman: Stig Løkke Pedersen

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## Company data

Company	Nuevolution A/S Rønnegade 8, 5. 2100 Copenhagen Ø
Telephone	+45 70 20 09 87
Fax	+45 70 20 09 86
WEB	<a href="http://www.nuevolution.com">www.nuevolution.com</a>
e-mail:	<a href="mailto:info@nuevolution.com">info@nuevolution.com</a>
CVR no.:	26 02 97 08
Financial year	1 July - 30 June
Board of Directors	Stig Løkke Pedersen, Chairman Lars Henriksson Søren Lemonius Jutta Heim Jeanette Wood
Executive Management	Alex Haahr Gouliaev Thomas Franch Antonius (TON) Berkien Henrik D. Simonsen
Parent Company	Nuevolution AB (publ) Rønnegade 8, 5. 2100 Copenhagen Ø
Telephone	+45 70 20 09 87
Fax	+45 70 20 09 86
Org. No.	559026-4304
LEI Code:	54930003B7X85HQRKN25
Ownership	100%
Shareholders meeting	7 November 2017
Auditor	Ernst & Young P/S Osvald Helmuths Vej 4 2000 Frederiksberg
Bank	SEB Skandinavisk Enskilda Bank, Denmark Bernstorffsgade 50 0900 Copenhagen C

## Management's Review

### Activities

Nuevolution A/S is a Danish biopharmaceutical company focused on developing drug treatments for human disease within oncology and chronic inflammatory diseases.

Nuevolution A/S is the inventor of Chemetics®, a patent protected drug discovery platform, which enables efficient discovery of novel small molecule (tablet based) drug candidates.

The Chemetics® platform provides access to screening of billions of molecules and efficient optimization of drug properties in the process of identifying the drug candidate.

Our efforts are leveraged by a proven and highly efficient drug discovery engine, and backed by a skilled and dedicated team of employees, world-class academic and corporate expert advisers catalyzing our ambition to deliver new medicines to patients.

### Development in activities and financial matters

The result for the year shows a loss of TDKK 16,535 compared to loss of TDKK 104,854 in 2015/16. The improvement of the result comes from revenue of TDKK 83,265 related to the agreement with Almirall in 2016/17 and by cancellation of non-recurring cost of TDKK 38,614 in 2015/16 related to the Warrant Program 2015/21. The Management considers the result to be satisfactory.

For further details of the Company, its activities and the development during the financial year 2016/17, please refer to the Annual Report 2016/17 of the Parent Company, Nuevolution AB (publ). The Annual Report 2016/17 for the Parent Company is available on [www.nuevolution.com](http://www.nuevolution.com).

### Subsequent events

To secure the operation of the company, the parent company has in August injected new share capital by TDKK 500 with a surplus of TDKK 38,445.

No other significant subsequent events have occurred after the balance sheet date, which could have influence on the evaluation of the Annual Report.



## Directors' and Management's Statement on the Annual Report

Today the Board of Directors and Executive Management have discussed and approved the annual report of Nuevolution A/S for the financial year 1 July 2016 to 30 June 2017.

The Board of Directors and the Executive Management declare that the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statement Act, and give a fair view of the Company's financial position and results of operations.

The Board of Directors' Report for the Nuevolution A/S provides a fair view of the development of the Company's operations, cash flow, financial position, results of operations and describes material risks and uncertainties facing the Company.

We recommend the adoption of the annual report at the Annual General Meeting.

Copenhagen, 7 November 2017

### EXECUTIVE MANAGEMENT



Alex Hashr Gouliaev  
CEO



Thomas Franch  
CSO



Antonius (TON) Berkien  
CBO



Henrik D. Simonsen  
CFO

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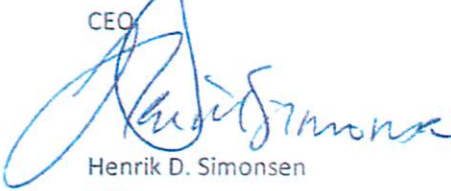
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## **Independent auditors' report**

### **To the shareholder of Nuevolution A/S**

#### **Opinion**

We have audited the financial statements of Nuevolution A/S for the financial year 1 July 2016 – 30 June 2017, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2017 and of the results of the Company's operations and cash flows accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

## Independent auditors' report

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



## Independent auditors' report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 7 November 2017

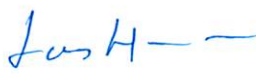
### ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Christian Schwenn Johansen  
State Authorised  
Public Accountant



Lars Hansen  
State Authorised  
Public Accountant

## Income statement

1 July 2016 - 30 June 2017

	<u>Note</u>	2016/17 DKK '000	2015/16 DKK '000
Revenue	4	91,853	17,015
Research and development expenses	5, 7, 12	-83,177	-92,435
Sales, general and administrative expenses	6, 7, 12	-13,638	-34,921
<b>Operating expenses</b>		<b>-96,815</b>	<b>-127,356</b>
<b>Operating result</b>		<b>-4,962</b>	<b>-110,341</b>
Income from investment in subsidiary	11	-3	-21
Financial income	8	2,274	1,510
Financial expenses	9	-1,673	-1,522
<b>Result before tax</b>		<b>-4,364</b>	<b>-110,374</b>
Corporate tax	10	-12,171	5,520
<b>Result for the year</b>		<b>-16,535</b>	<b>-104,854</b>
<b>Distribution of the year's result</b>			
<b>Net loss attributable to shareholder of the Company</b>		<b>-16,535</b>	<b>-104,854</b>
<b>Statement of comprehensive income</b>			
Net result for the year		-16,535	-104,854
Other comprehensive income		0	0
<b>Total net comprehensive result for the period</b>		<b>-16,535</b>	<b>-104,854</b>
<b>Distribution of the year's result</b>			
<b>Net comprehensive loss attributable to shareholder of the Company</b>		<b>-16,535</b>	<b>-104,854</b>

## Statement of financial position

	Note	30 June 2017 DKK '000	30 June 2016 DKK '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other fixtures, fittings, tool and equipment	12	3.867	3.890
Leasehold improvement	12	405	447
<b>Total tangible fixed assets</b>		<b>4.272</b>	<b>4.337</b>
Investment in subsidiary	11	0	3
Income tax receivable	10	3.650	5.500
Other non-current receivables	13	1.284	1.277
<b>Total other non-current assets</b>		<b>4.934</b>	<b>6.780</b>
<b>Total non-current assets</b>		<b>9.206</b>	<b>11.117</b>
<b>Current assets</b>			
Work in progress for third parties	4	0	0
Trade receivable	14	72	290
Income tax receivable	10	5.500	5.875
Other current receivables and prepayments	15	1.647	1.985
Cash and cash equivalents	21	68.356	25.239
<b>Total current assets</b>		<b>75.575</b>	<b>33.389</b>
<b>TOTAL ASSETS</b>		<b>84.781</b>	<b>44.506</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	16	16.000	285.725
Share premium		62.051	40.000
Retained earning		-16.656	-310.175
<b>Total shareholders' equity</b>		<b>61.395</b>	<b>15.550</b>
Lease liabilities	18	2.267	2.749
<b>Total non-current liabilities</b>		<b>2.267</b>	<b>2.749</b>
<b>Current liabilities</b>			
Current portion of long-term lease liabilities	18	1.143	965
Trade payables	17	7.186	9.333
Payables, Group Companies	17	242	522
Other current liabilities	17	5.819	5.344
Prepayments from customers	4	738	0
Deferred income	4	5.991	10.043
<b>Total current liabilities</b>		<b>21.119</b>	<b>26.207</b>
<b>Total liabilities</b>		<b>23.386</b>	<b>28.956</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>84.781</b>	<b>44.506</b>



## Statement of cash flows

1 July 2016 - 30 June 2017

	Note	2016/17 DKK '000	2015/16 DKK '000
<b>Operating activities</b>			
Loss before tax		-4.364	-110.374
Adjustment depreciation of plant and equipment	12	1.318	1.061
Adjustment for non-cash effect of the share-based payments	20	-120	38.667
Income from investment in subsidiary	11	3	21
Financial income		-2.274	-1.510
Financial expenses		1.673	1.522
<b>Cash flow before change in working capital</b>		<b>-3.764</b>	<b>-70.613</b>
Change in working capital		-4.710	18.818
<b>Cash flow from operations</b>		<b>-8.474</b>	<b>-51.795</b>
Interest received		964	252
Interest paid		-363	-264
Corporate tax paid/received		-9.946	972
<b>Cash flow from operating activities</b>		<b>-17.819</b>	<b>-50.835</b>
<b>Investing activities</b>			
Investments in plant, equipment, fittings and tools		-499	-410
Investments in financial assets		-7	-8
<b>Cash flow from investing activities</b>		<b>-506</b>	<b>-418</b>
<b>Financing activities</b>			
New share issue	16	62.500	40.000
Repayments of lease liabilities		-1.058	-928
<b>Cash flow from financing activities</b>		<b>61.442</b>	<b>39.072</b>
<b>Net change in cash</b>		<b>43.117</b>	<b>-12.181</b>
Cash and cash equivalents, beginning of period		25.239	37.420
<b>Cash and cash equivalents, end of period</b>	21	<b>68.356</b>	<b>25.239</b>

### Accounting Policy

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial period.

Cash flows from operating activities are stated as the Company's profit or loss before tax, adjusted for financial income and expenses non-cash operating items, changes in working capital, paid financial expenses and received income taxes.

Cash flows from investing activities comprise payments related to acquisitions and divestment of companies and activities as well as purchases and sales of property, plant and equipment and financial fixed assets.

Cash flows from financing activities comprise changes in the Company's share capital and related costs, as well as the raising and repayment of loans and instalments on interest-bearing debt. Also recognized are cash flows in the form of lease payments made on assets held under finance lease.

Cash and cash equivalents comprise cash and bank balances.

## Statement of changes in equity

DKK '000	Share capital	Share premium	Retained Earnings	Total equity
<b>Equity at 1 July 2016</b>	285.725	40.000	-310.175	15.550
Result for the year	0	0	-16.535	-16.535
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	0	0	-16.535	-16.535
<b>Transactions with owner</b>				
Share issue	449	62.051	0	62.500
Capital reduction	-270.174	-40.000	310.174	0
Share based payments	0	0	-120	-120
<b>Total transaction with owner</b>	-269.725	22.051	310.054	62.380
<b>Total changes in equity</b>	-269.725	22.051	293.519	45.845
<b>Equity at 30 June 2017</b>	<b>16.000</b>	<b>62.051</b>	<b>-16.656</b>	<b>61.395</b>

DKK '000	Share capital	Share premium	Retained Earnings	Total equity
<b>Equity at 1 July 2015</b>	285.725	0	-243.988	41.737
Result for the year	0	0	-104.854	-104.854
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	0	0	-104.854	-104.854
<b>Transactions with owners</b>				
Share issue (1 share á 1 DKK)	0	40.000	0	40.000
Cost related to the share issue	0	0	0	0
Share based payments	0	0	38.667	38.667
<b>Total transaction with owners</b>	0	40.000	38.667	78.667
<b>Total changes in equity</b>	0	40.000	-66.187	-26.187
<b>Equity at 30 June 2016</b>	<b>285.725</b>	<b>40.000</b>	<b>-310.175</b>	<b>15.550</b>

There are no limitations concerning distribution on share premium account.

### Accounting Policy

Direct costs associated with the capital increase are accounted for as a reduction of the gross proceeds received from the capital increase and recorded through shareholders' equity.



## **Note 1: Company information**

Nuevolution A/S (the "Company") is a limited liability company incorporated and domiciled in Denmark. The registered office is in Copenhagen, Denmark.

Nuevolution is a biopharmaceutical company focused on developing treatments for human diseases within oncology and inflammatory diseases. Nuevolution is the sole inventor of Chemetics<sup>®</sup>, a drug discovery platform which enables efficient discovery of novel chemical small molecule leads for specific indications. Nuevolution has applied the Chemetics<sup>®</sup> platform to deliver leads for pharmaceutical partners and since late 2012 used its platform for own drug development effort, creating its own pipeline of programs. Through creation of a collection of more than 40 trillion small molecule and macrocyclic compounds ("Synthetic Biologics"), Nuevolution has established itself as a leading party in the field of small molecule lead discovery.

## **Note 2: Significant accounting policies**

The financial statement for the year ended June 30, 2017 were authorized for approval at the Annual General Meeting to be held on November 7, 2017, with a resolution of the Board of Directors on November 7, 2017.

### **BASIS FOR PREPARATION**

The Annual Report for the Company has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) at 30 June 2017 and additional Danish disclosure requirements for annual reports for accounting class B entities.

This note sets out the company's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one financial statement item, the policy is described in the note to which it relates.

The Annual Report is presented in DKK as the company Nuevolution A/S is registered in Denmark and has DKK as functional currency. All values are rounded to the nearest thousand DKK.

### **CHANGES OF ACCOUNTING POLICIES, INCLUDING PRESENTATION AND IMPLEMENTATION OF FINANCIAL REPORTING STANDARDS**

With the purpose of bringing the presentation of the income statement in line with and be comparable with other biotech companies (peer group), the presentation of the income statement has been changed from presentation by nature to presentation by function. This change results in reliable and more relevant information about the financial performance, but has no impact on the net result, financial position or cash flow. The comparative figures in the income statement have been restated retrospectively.

Except of the change in presentation of the income statement, the accounting policies are consistent with those applied to the Annual Report for 2015/16.

## NEW STANDARDS AND INTERPRETATIONS

With effect from 1 July 2016, the company has adopted:

- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization
- Annual Improvements 2012-2014:
  - IFRS 5 – Changes in methods of disposal
  - IFRS 7 – Minor changes
  - IAS 19 – Discount rate: Regional market issue
  - IAS 34 – Disclosure of information (elsewhere in the interim financial report)
- Amendments to IAS 1 – Disclosure Initiative

None of the new standards and interpretations has impacted recognition and measurement for the period.

## NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

International Accounting Standards Board (IASB) has issued amendments to a number of standards with effective dates in 2018 and later.

- IFRS 9 Financial instruments. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard will apply from 1 January 2018 (financial year 2018/19). The Company has assessed whether IFRS 9 “Financial Instruments” has an impact on the current financial statement. The new standard is not expected to have any material impact on the financial statements as the new standard doesn’t change the Company’s current measurement of financial instruments. Implementation of the new standard will change the presentation and require additional disclosures in the notes.
- IFRS 15 Revenue from contracts with customers. The standard deals with accounting for revenues from contracts and from sale of certain non-financial assets. It will replace IAS 11 Construction contracts and IAS 18 Revenue as well as accompanying interpretations. The standard will apply from 1 January 2018 (financial year 2018/19). The Company has assessed whether IFRS 15 “Revenue from contracts with customers” has an impact on the accounting for current significant agreements. The new standard is not expected to have any material impact on the financial statements. Implementation of the new standard will require additional disclosures in the notes.
- IFRS 16 Leases. According to the standard, lessees shall recognize assets and liabilities for all leases except lease terms of less than 12 months and/or leases of assets of low value. The standard will replace IAS 17 Leases and accompanying interpretations. The standard shall be applied from 1 January 2019 (financial year 2019/20) but has not yet been endorsed by EU. The new standard is not expected to have any material impact on the financial statements as the Company already capitalize and depreciate assets acquired under lease agreements. Implementation of the new standard will require additional disclosures in the notes.



Nuevolution has finalized the evaluation of the above mentioned new standards and the conclusive assessments are that they will have limited impact on the financial statements.

## **CONSOLIDATION**

Referring to the Danish Financial Statement Act section 112 and IFRS 10, the Company has chosen not to prepare consolidated financial statement. Consolidated financial statement can be obtained from the parent company at [www.nuevolution.com](http://www.nuevolution.com).

Oveun AB (dormant), subsidiary of the Company, was divested on 7 April 2017.

## **FOREIGN CURRENCY TRANSLATION**

On initial recognition, foreign currency transactions are translated at the exchange rate at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currency that have not been settled at the balance sheet date are translated at closing rates. Foreign exchange differences between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items.

## **SEGMENT REPORTING**

An operating segment is a component of a company whose operating results are regularly reviewed by the Company's Board of Directors together with the CEO, to make decisions about resources to be allocated to the segment and assess its performance. The Nuevolution A/S is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently disclosed in the internal reporting. Accordingly, it has been concluded that it is not relevant to disclose any segment information in the financial statement for the company.



### **Note 3: Critical accounting estimates and judgements**

In preparing the annual financial statements, management makes various accounting judgments and estimates and define assumptions, which form the basis of recognition, measurement and presentation of the company's assets and liabilities.

The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that management considers reasonable under the circumstances.

The basis for judgments and information can by nature be inaccurate or incomplete, and the company is subject to uncertainties, which can result in an actual outcome that deviates from estimates and defined assumptions. It may be necessary in the future to change previous estimates and judgments as a result of supplementary information, additional knowledge and experience or subsequent events.

In applying the company's accounting policies described in note 1, management has exercised critical accounting judgements and estimates, which significantly influence on the amounts recognized in the financial statements.

The accounting estimates or judgements which are relevant to the Management Board in the preparation of the Financial Statements are described in note 4, 5 and 10.

## Note

### 4 Revenue, work in progress and deferred income

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Upfront & milestone	91.543	16.523
Government Grant	118	0
Reimbursement income	192	492
<b>Total</b>	<b>91.853</b>	<b>17.015</b>

#### Revenue split by Geographical Area

Denmark	118	0
Switzerland	0	10.895
Spain	83.265	0
USA	8.470	6.091
Other countries	0	29
<b>Total</b>	<b>91.853</b>	<b>17.015</b>

Revenue is based on contracts with two partners both in 2016/17 and 2015/16 as the following:

Customer 1	9%	36%
Customer 2	0%	64%
Customer 3	91%	0

#### Balance Sheet

Deferred income	5.991	10.043
<b>Total</b>	<b>5.991</b>	<b>10.043</b>

#### To be recognized in the income statement:

2016/17	0	7.310
2017/18	4.816	2.733
2018/19	1.175	0
<b>Total</b>	<b>5.991</b>	<b>10.043</b>

The future recognition in the income statement is based on the current assessment.

Work in progress for third parties	118	0
Prepayments	856	0
<b>Work in progress for third parties, net</b>	<b>-738</b>	<b>0</b>

#### Recognized in the balance sheet:

Work in progress, assets	0	0
Prepayments from customers	738	0
<b>Work in progress for third parties, net</b>	<b>-738</b>	<b>0</b>

## Note

### **Accounting Policy**

#### ***Revenue***

Revenue comprises the fair value of the consideration received or receivable for sales of exclusive license rights and income derived from contract research and other services. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts.

The revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably and when any significant risks and rewards of ownership of the rights or right to the services are transferred and the company no longer retains managerial responsibility for, or control of, the rights or services sold.

Agreements with customers and collaboration partners often include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand alone transactions provided that each component has value to the customer on a stand alone basis. The then allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of a license that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control of the rights is transferred.

Revenue from contract research and licenses that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work. The percentage of completion is made up based on the stage of completion on each individual work in progress.

If multiple components are not separable, they are combined into a single component and recognized over the period where the Company is actively involved in development and deliver significant services to the customer.

#### ***Work in progress for third parties***

Ongoing service supplies are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on the stage of completion on each individual work in progress.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceed the market value.



## Note

### *Deferred income*

Deferred income comprises income and prepayments received relating to subsequent financial periods. Deferred income is measured at nominal value.

### **Management's judgments and estimates**

Whether a component of a multiple element contract has value to the customer on a stand alone basis is based on an assessment of specific facts and circumstances and is associated with judgement. This applies also to the assessment of whether a license transfers rights associated with ownership of an intangible asset. Furthermore, allocation of the total consideration of a contract to separately identifiable components requires considerable estimates and judgement to be made by Management. At inception and throughout the life of a contract Management is performing an analysis of the agreement with its customers based on available facts and circumstances at each assessment date such as historical experience and knowledge from the market to the extent obtainable. This includes also an understanding of the purpose of the deliverables under the contract and the negotiation taken place prior to concluding the contract.

During the financial year 2016/17, Nuevolution received an upfront payment of DKK 83.3 million from Almirall at the time when the RORyt inhibitor program (inflammation) was out-licensed to Almirall in for dermatological indications and psoriatic arthritis. Nuevolution has recognized DKK 83.3 million of revenue for sale of these exclusive product licenses to the applicable drug candidates under the collaboration agreement with Almirall. For the year ended 30 June 2016, Nuevolution had not recognized any revenues from future payments under the collaboration agreement with Almirall, as neither Nuevolution or Almirall had performed under the agreement in 2015/16.

## **5 Research and development expenses**

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Employee benefit expenses	29.338	45.682
External expenses	52.529	45.710
Depreciation	1.310	1.043
<b>Total</b>	<b>83.177</b>	<b>92.435</b>

### **Accounting Policy**

Research and development expenses are incurred in the Company for in-house research and development activities as well as numerous research and development collaborations and alliances with third parties.

Research and development expenses mainly comprise the costs for active ingredient discovery, clinical studies, research and development activities in the areas of application technology and engineering, field trials, regulatory approvals and approval extensions. In addition research and development expenses also include wages and salaries, share-based compensation, and other employee related cost, cost of premises, lawyer, depreciation etc. related to the research and development staff.

## Note

For accounting purposes, research expenses are defined as costs incurred for current or planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development expenses are defined as costs incurred for the application of research findings or specialist knowledge to plans or designs for the production, provision or development of new or substantially improved products, services or processes, respectively, prior to the commencement of commercial production or use.

All research and development expenses are recognized in the income statement in the period in which they incur.

### Management's judgments and estimates

Research costs cannot be capitalized. The conditions for capitalization of development costs are closely defined: an intangible asset must be recognized if, and only if, there is reasonable certainty of receiving future cash flows that will cover an asset's carrying amount. Since our own development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied.

Management assess on a continues basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects. As the currently ongoing projects are subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs have not been satisfied as at 30 June 2017 and comparative statement.

## 6 Sales, general and administration expenses

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Employee benefit expenses	6.981	26.173
External expenses	6.649	8.730
Depreciation	8	18
<b>Total</b>	<b><u>13.638</u></b>	<b><u>34.921</u></b>

### Accounting Policy

Sales, general and administrative expenses include wages and salaries, share-based compensation, and other personnel related expenses, office costs, cost of premises, audit, lawyer, depreciation etc. related to management, sales, human resources, information technology, and the finance departments.



## Note

### 7 Staff expenses

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Wages & salaries	30.734	29.291
Bonus	2.942	1.736
Share-based payment	-120	38.667
Pension (Defined contribution)	350	234
Other social security costs	162	154
Other personnel costs	2.251	1.773
<b>Total</b>	<b>36.319</b>	<b>71.855</b>

#### Staff costs are recognized as follows:

Research and development expenses	29.338	45.682
Sales, general and administration expenses	6.981	26.173
<b>Total staff cost</b>	<b>36.319</b>	<b>71.855</b>

Board of directors (Remuneration)	0	150
Board of directors (Share-based payment)	0	3.863
Management (Wages & salaries)	5.830	5.679
Management (Bonus)	1.166	1.736
Management (Share-based payment)	2	21.244
Management (Pension - Defined contribution)	187	187
Management (Other social security costs)	9	9
<b>Total</b>	<b>7.194</b>	<b>32.868</b>

#### Employees:

Average number of FTE	45	43
Number of FTE end of year	47	44

Members of the management have contracts of employment containing standard terms for management members of Danish companies, including the periods of notice that both parties are required to give and competition clauses. If a contract of employment of a member of the company's management is terminated by the company without misconduct on the part of such member, the member of the company's management is entitled to compensation, which, depending on the circumstances, may amount to a maximum of 6-12 months' remuneration. In the event of a change of control the compensation can amount up to 12 months' remuneration.

## Note

### Accounting Policy

#### *Staff costs*

Staff expenses comprise of wages and salaries for staff engaged in research, development, sales, marketing, administration and management. The item also comprise all staff-related costs.

#### *Share-based payments*

Share-based incentive programs where management and employees may choose to buy shares in the parent company (equity schemes), are measured at fair value of equity instruments at grant date and recognized in the income statement over the period of the employee's right to buy the shares. The balancing item is recognized directly in shareholder equity. The fair value of the share-based payment is determined using a Black-Scholes model. Please refer to note 20 for further details.

## 8 Financial income

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Interest income	10	57
Interest income, Group companies	0	12
Foreign exchange gain	2.264	1.441
<b>Total</b>	<b>2.274</b>	<b>1.510</b>

### Accounting Policy

Financial income include interest income, realized and unrealized gains on transactions in foreign currencies. Financial income are recognized in the income statement at the amounts that relate to the reporting period.

## 9 Financial expenses

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Interest expenses	0	15
Interest expenses, Group companies	221	1
Leasing interest	126	117
Bank fees and other financial expenses	172	111
Foreign exchange loss	1.154	1.278
<b>Total</b>	<b>1.673</b>	<b>1.522</b>

### Accounting Policy

Financial expenses include interest expenses, interest expenses relating to finance lease payments and realized and unrealized losses on transactions in foreign currencies. Financial expenses are recognized in the income statement at the amounts that relate to the reporting period.

## Note

### 10 Corporate and deferred tax

#### Taxation - income statement

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Loss for the year	-4.364	-110.374
Tax rate	22,0%	22,0%
Tax on loss for the year	960	24.282
Tax value of non-deductible expenses	-5	0
Tax on share based payment	26	-8.495
Utilization of tax credit	3.650	5.500
Taxes paid in Spain	-15.820	0
Adjustment of deferred tax	2.668	1.061
Adjustment of taxes from prior year	-1.000	0
Accounting estimate for utilization of tax losses	-2.650	-16.828
<b>Total</b>	<b>-12.171</b>	<b>5.520</b>

#### Taxation - balance sheet

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Component of the deferred tax asset are as follows:		
Tangible fixed assets	-691	-788
Net payments under finance lease	750	817
Capitalized R&D costs	-5.140	0
Prepayments	-24	-235
Deferred income	-1.318	-2.209
Share-based payments	-8.468	-8.495
Tax loss carry-forward	-82.427	-93.755
	<b>-97.318</b>	<b>-104.665</b>
Unrecognized deferred tax asset	97.318	104.665
	<b>0</b>	<b>0</b>

Corporate tax for the year includes income tax from a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act. Furthermore, the agreement with Almirall has triggered a payment of withholding tax in Spain. Nuevolution cannot utilize the possibility to set-off the payment of the withholding tax against payment of other taxes, consequently the payment of withholding tax in Spain has been recognized as corporate tax in the income statement.

The company has in previous years generated tax losses. As it is still uncertain whether deferred tax assets can be utilized, the assets has not been recognized in the annual report. Deferred tax assets not recognized for 2016/17 TDKK 97,318 (2015/16: TDKK 104,665).

According to current tax legislation, tax loss carry-forward can be carried forward indefinitely.



## Note

### Accounting Policy

Tax for the year, which includes current tax on the year's taxable income and the year's deferred tax adjustments, is recognized in the income statement as regards the portion that relates to the net result for the year and is taken directly to equity as regards the portion that relates to entries directly in equity or other comprehensive income, respectively.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

The company recognizes tax credits relating to R&D work in Denmark as per the Danish Tax legislation with a maximum of 22% of DKK 25 million. Due to the taxable loss for the year 2016/17, Nuevolution has only utilized DKK 16.6 million.

In assessing current tax for the year, the applicable tax rates and legislation on the statement of financial position date are used.

Deferred tax is measured according to the statement of balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The deferred tax is stated based on the planned utilization of the individual asset and the settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses carry-forwards, are recognized in the balance sheet at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

### Management's judgments and estimates

The Company recognizes deferred tax assets relating to tax losses carried forward when management assess that these tax assets can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date and is based on relevant information, taking into account any impact from restrictions in utilization in local tax legislation.

The assessment of future taxable income is based on financial budgets approved by management as well as management's expectations regarding the operational development in the following years. Based upon this assessment no deferred tax assets relating to tax losses carried forward have been recognized as at 30 June 2017.



## Note

### 11 Investment in subsidiary

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Cost at 1 July	43	43
Additions	0	0
Disposals	-43	0
<b>Cost at 30 June</b>	<b>0</b>	<b>43</b>
Impairment loss at 1 July	-40	-19
Impairment for the year	-3	-21
Disposals	43	0
<b>Impairment loss at 30 June</b>	<b>0</b>	<b>-40</b>
<b>Carrying amount at 30 June</b>	<b>0</b>	<b>3</b>

Name	Place of registered office	Currency	Share capital Local Currency	Votes and ownership	Equity at 30 June 2016	Net loss for the year
Oveun AB	Copenhagen Denmark	SEK	50.000	-	-	-3

#### Accounting Policy

Investment in subsidiaries are measured at cost reduced by impairment write-down.

The company has made an impairment test in order to assess the value of the investment in the subsidiary.

## Note

### 12 Tangible fixed assets

DKK '000	Other fixtures, fittings, tool and equipment	Leasehold improvement	Total
Cost at 1 July 2016	30.172	9.567	39.739
Additions	1.213	40	1.253
Disposals	-4.618	0	-4.618
<b>Cost at 30 June 2017</b>	<b>26.767</b>	<b>9.607</b>	<b>36.374</b>
Depreciation and impairment at 1 July 2016	26.282	9.120	35.402
Depreciation and impairment for the year	1.236	82	1.318
Disposals	-4.618	0	-4.618
<b>Depreciation and impairment at 30 June 2017</b>	<b>22.900</b>	<b>9.202</b>	<b>32.102</b>
<b>Carrying amount at 30 June 2017</b>	<b>3.867</b>	<b>405</b>	<b>4.272</b>
<b>Hereof leased tools and equipment</b>	<b>3.291</b>		
<u>Depreciation and impairment expenses are recognized as follows:</u>			
Research and development expenses	1.236	74	1.310
Sales, general and administration expenses	0	8	8
<b>Total depreciation and impairment expenses</b>	<b>1.236</b>	<b>82</b>	<b>1.318</b>
Cost at 1 July 2015	27.117	9.378	36.495
Additions	3.055	189	3.244
Disposals	0	0	0
<b>Cost at 30 June 2016</b>	<b>30.172</b>	<b>9.567</b>	<b>39.739</b>
Depreciation and impairment at 1 July 2015	25.290	9.051	34.341
Depreciation and impairment for the year	992	69	1.061
Disposals	0	0	0
<b>Depreciation and impairment at 30 June 2016</b>	<b>26.282</b>	<b>9.120</b>	<b>35.402</b>
<b>Carrying amount at 30 June 2016</b>	<b>3.890</b>	<b>447</b>	<b>4.337</b>
<b>Hereof leased tools and equipment</b>	<b>3.636</b>		
<u>Depreciation and impairment expenses are recognized as follows:</u>			
Research and development expenses	983	60	1.043
Sales, general and administration expenses	9	9	18
<b>Total depreciation and impairment expenses</b>	<b>992</b>	<b>69</b>	<b>1.061</b>

All assets are located in Denmark

#### Accounting Policy

##### Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

Leased tangible fixed assets qualifying for assets held under finance lease contracts are measured as acquired fixed assets. The Management has assessed that the purchase option will be utilized.

Cost comprises the purchase price, costs directly allocated to the acquisition, and costs for preparation until the date when the asset is available for use.

Cost of assets held under finance lease contracts are measured as the lower of fair value and the present value of future lease payments, calculated on the internal discount rate.

Depreciation is calculated on a straight-line basis based on the following expected useful life:

	Year
Leasehold improvements	10
Other fixtures and fittings, tools and equipment	3-5

##### Impairment of fixed assets

Fixed assets are reviewed at the statement of financial position date to determine whether there are any indications of impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

## Note

### 13 Other non-current receivables

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Deposit, rental	1.284	1.277
<b>Total</b>	<b>1.284</b>	<b>1.277</b>

#### Accounting Policy

Other non-current financial receivables are initially measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

### 14 Trade receivables

DKK '000	<u>2016/17</u>	<u>2015/16</u>
Trade receivables, gross value	72	290
Trade receivables, impaired	0	0
<b>Total</b>	<b>72</b>	<b>290</b>

Age analysis of trade receivables:

- Not yet due	72	0
- Overdue by between 1 and 179 days	0	0
- Overdue by between 180 and 360 days	0	290
<b>Total receivables with credit risk exposure</b>	<b>72</b>	<b>290</b>

No loss on receivables has been recognized during the reporting periods.

#### Accounting Policy

Trade receivables are measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

At each balance sheet date, the Company assesses whether there is objective evidence that a receivable or a group of receivables is impaired. An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables.

Present value method is not performed since the duration is short.



## Note

### 15 Other current receivables and prepayments

DKK '000	<u>2016/17</u>	<u>2015/16</u>
VAT	487	993
Prepayments	938	670
Other financial assets	222	322
<b>Total</b>	<b><u>1.647</u></b>	<b><u>1.985</u></b>

#### Accounting Policy

Other current receivables and prepayments are measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

Prepayments recognized under assets comprise expenses incurred relating to subsequent financial periods. Prepayments are measured at cost.

### 16 Share Capital

	No. of shares	Share Capital DKK '000
Balance at 1 July 2016	285.725.299	285.725
Capital reduction	-270.174.674	-270.175
New share issue	449.375	449
<b>Balance at 30 June 2017</b>	<b><u>16.000.000</u></b>	<b><u>16.000</u></b>
Balance at 1 July 2015	285.725.298	285.725
New share issue	1	0
<b>Balance at 30 June 2016</b>	<b><u>285.725.299</u></b>	<b><u>285.725</u></b>
Balance at 1 July 2014	225.725.298	225.725
New share issue	60.000.000	60.000
<b>Balance at 30 June 2015</b>	<b><u>285.725.298</u></b>	<b><u>285.725</u></b>
Balance at 1 July 2013	225.725.298	225.725
New share issue	0	0
<b>Balance at 30 June 2014</b>	<b><u>225.725.298</u></b>	<b><u>225.725</u></b>
Balance at 1 July 2012	225.725.298	225.725
New share issue	0	0
<b>Balance at 30 June 2013</b>	<b><u>225.725.298</u></b>	<b><u>225.725</u></b>

The share capital consists of 16,000,000 shares of DKK 1 nominal value. The share capital is fully paid up. All shares are owned by Nuevolution AB (publ), Rønnegade 8, Copenhagen.

After the balance sheet date the parent company has increased the share capital by TDKK 500 with a surplus of TDKK 38,445. Please also see note 24.

## Note

### 17 Trade payables and other current liabilities

DKK '000	2016/17	2015/16
Trade payable	7.186	9.333
Payables, Group Companies	242	522
Other current liabilities	5.819	5.344
<b>Total</b>	<b>13.247</b>	<b>15.199</b>

#### Accounting Policy

Trade creditors are measured at fair value, and subsequently at amortized cost using the effective interest method. Carrying amount for Trade creditor is presumed to correspond to the fair value since it is by nature short-term.

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

Present value method is not performed since the duration is short.

### 18 Lease liabilities

The Company has finance leases for various items of tangible assets. Futures minimum lease payments under leases together with the present value of the net minimum lease payments are as follows:

DKK '000	2016/17	2015/16
Non-current lease liabilities	2.267	2.749
Current portion of long-term lease liabilities	1.143	965
<b>Total</b>	<b>3.410</b>	<b>3.714</b>

#### Finance lease obligations

DKK '000	2016/17		2015/16	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	1.234	1.143	1.072	965
1-5 years	2.368	2.267	2.892	2.749
> 5 years	0	0	0	0
<b>Total minimum lease payments</b>	<b>3.602</b>	<b>3.410</b>	<b>3.964</b>	<b>3.714</b>
Less amounts representing finance charges	192	0	250	0
<b>Total</b>	<b>3.410</b>	<b>3.410</b>	<b>3.714</b>	<b>3.714</b>

The company has entered into rent contracts, which all can be terminated at maximum of 6 months notice. Annual rent payment TDKK 2,807 (2015/16: TDKK 2,784).

#### Accounting Policy

Finance lease liabilities regarding assets held under financial leases are recognized in the statement of financial position as liabilities and measured, at the inception of the lease, at the lower of fair value and present value of future lease payments, calculated by reference to the interest rate implicit in each lease.

On subsequent recognition, lease liabilities are measured at amortized cost. The difference between present value and nominal value of lease payments is recognized in the statement of comprehensive income over the term of the lease as a financial expense.



## Note

### 19 Financial risk management and financial instruments

The objective of Nuevolution A/S's financial management policy is to reduce the company's risk to fluctuations in currency exchange rates, interest rate risk and credit risk. The Board of Directors has adopted a policy for managing financial risks within the company. The Board of Directors is responsible for the company's long-term financing strategy as well as any acquisition of capital. The management of financial risks in the day-to-day operations is handled by the CFO together with the CEO.

#### Liquidity and financing risk

It is Nuevolution's aim to have adequate capital in relation to the underlying operation and research and development projects, so that it is always possible to provide sufficient capital to support operations and the company's long-term objects.

Nuevolution receives upfront and milestone payments from its partners in USD and EUR.

The company's capital comes from revenue, as well as capital contributions or similar from the parent company. The Board of Directors finds that the current capital and share structure is appropriate to support the current activities and goals.

Below is a term-based analysis of the company's financial position:

30 June 2017					
DKK '000					
Measured at amortized cost	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Lease liabilities	1.234	2.368	0	3.602	3.410
Trade payables	7.186	0	0	7.186	7.186
Payables, Group Companies	242	0	0	242	242
Other current liabilities	5.819	0	0	5.819	5.819
<b>Total financial liabilities</b>	<b>14.481</b>	<b>2.368</b>	<b>0</b>	<b>16.849</b>	<b>16.657</b>
Cash	68.356	0	0	68.356	68.356
Trade receivables	72	0	0	72	72
Deposits	0	0	1.284	1.284	1.284
Other current receivables	709	0	0	709	709
<b>Total financial assets</b>	<b>69.137</b>	<b>0</b>	<b>1.284</b>	<b>70.421</b>	<b>70.421</b>
<b>Net</b>	<b>-54.656</b>	<b>2.368</b>	<b>-1.284</b>	<b>-53.572</b>	<b>-53.764</b>

30 June 2016					
DKK '000					
Measured at amortized cost	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Lease liabilities	1.072	2.892	0	3.964	3.714
Trade payables	9.333	0	0	9.333	9.333
Payables, Group Companies	522	0	0	522	522
Other current liabilities	5.344	0	0	5.344	5.344
<b>Total financial liabilities</b>	<b>16.271</b>	<b>2.892</b>	<b>0</b>	<b>19.163</b>	<b>18.913</b>
Cash	25.239	0	0	25.239	25.239
Trade receivables	290	0	0	290	290
Deposits	0	0	1.277	1.277	1.277
Other current receivables	1.315	0	0	1.315	1.315
<b>Total financial assets</b>	<b>26.844</b>	<b>0</b>	<b>1.277</b>	<b>28.121</b>	<b>28.121</b>
<b>Net</b>	<b>-10.573</b>	<b>2.892</b>	<b>-1.277</b>	<b>-8.958</b>	<b>-9.208</b>



## Note

### Currency risk

Nuevolution is exposed to currency exposure and as Nuevolution have income and expenses in different currencies, the company is subject to currency risk. Increase or decrease in the exchange rate of foreign currencies can affect the company's result and cash position positively or negatively.

#### *Assets and Liabilities in foreign Currency*

The most significant cash flows are in EUR and USD. Overall, Nuevolution hedges its currency exposure primarily by matching income and expenses in the same currency. In addition Nuevolution is not using hedging instruments such as derivatives or future contracts.

Based on the amount of assets and liabilities denominated in EUR and USD as of June 30, 2017, a 10% change in both EUR to DKK exchange rate and USD to DKK exchange rate respectively will impact our net financial items by approximately:

DKK '000	Cash position	Receivables	Liabilities	Net exposure	Percentage change in exchange rate *	Impact of change in exchange rate
<b>2016/17</b>						
EUR	6.431	0	-38	6.393	10%	639
USD	13	36	-3.454	-3.405	10%	-341
<b>2015/16</b>						
EUR	0	0	-493	-493	10%	-49
USD	13.716	290	-2.796	11.210	10%	1.121

\*) The analysis assumes that all other variables, in particular interest rates, remain constant.

### Interest Rate Risks

Nuevolution's interest rate risks are linked to leasing contracts and bank deposits. The interest rate for both interest-bearing debt and bank deposits are floating. An increase of the interest rate of 1% would impact the financial result by an amount of TDKK 597 (2015/16: TDKK 295) with a corresponding impact on the equity.

### Credit Risk

Nuevolution is exposed to credit risk and losses on our bank deposits. The credit risk related to financial and other receivables is not significant. The company do not apply hedging or use of derivatives.

#### *Bank Deposit*

To reduce credit risk on our bank deposits, Nuevolution only places its cash deposits with highly rated financial institution. Nuevolution is currently using financial institution with a short-term rating from S&P of at least A-1. The total value of bank deposits amounts to TDKK 68,356 as of 30 June 2017 compared to TDKK 25,239 as of 30 June 2016.

## Note

### 20 Share based payments

#### Warrant Program 2011

There were 2,142,719 class A warrants and 1,501,550 class B warrants (exercise price of DKK 1 for both classes) outstanding under the 2011 warrant program in Nuevolution A/S. These warrants has lapsed on 15 July 2016. In 2016/17, TDKK 2 (2015/16: TDKK 53) were recognized as share-based compensation in the profit and loss account for this warrant program.

#### Development in the number of outstanding warrants:

	Number of warrant held by the Board of Directors	Number of warrant held by the Executive Management	Number of warrant held by the other member of Management	Number of warrant held by employees	Total outstanding warrants
<b>Outstanding at 1 July 2016</b>	<b>238.341</b>	<b>1.310.877</b>	<b>357.512</b>	<b>1.737.539</b>	<b>3.644.269</b>
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	-238.341	-1.310.877	-357.512	-1.737.539	-3.644.269
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
<b>Outstanding at 30 June 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Class A	0	0	0	0	0
Class B	0	0	0	0	0
<b>Outstanding at 30 June 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Outstanding at 1 July 2015</b>	<b>238.341</b>	<b>1.310.877</b>	<b>357.512</b>	<b>1.737.539</b>	<b>3.644.269</b>
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
<b>Outstanding at 30 June 2016</b>	<b>238.341</b>	<b>1.310.877</b>	<b>357.512</b>	<b>1.737.539</b>	<b>3.644.269</b>
Class A	166.839	119.171	238.341	1.618.368	2.142.719
Class B	71.502	1.191.706	119.171	119.171	1.501.550
<b>Outstanding at 30 June 2016</b>	<b>238.341</b>	<b>1.310.877</b>	<b>357.512</b>	<b>1.737.539</b>	<b>3.644.269</b>

#### Warrant Program 2015/2021

The program comprise of 5,070,518 warrants, hereof 2,667,239 Series 1 warrants and 2,403,279 Series 2 warrants. The program has an initially term of five years.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 shall be SEK 1,000,000 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Subject to the fulfilment of an Exit Event (as described below and in the terms and conditions of the warrants), the subscription price per ordinary share for warrants of Series 1 shall instead be SEK 17.50. Thus, if all warrants are fully subscribed for, the company's share capital will increase with not more than SEK 5,070,518. The warrants may be exercised for subscription of shares from 31 August 2016 up until and including 31 August 2021.



## Note

### Warrant Program 2016/2021

At the annual general meeting held on 5 October 2016, shareholders approved a new warrant program, with two series, addressed to the executive management and other employees in the company in order to promote and stimulate continued loyalty with the operations by linking the interests of these persons with the interests of the shareholders.

The program comprise of 493,000 warrants, hereof 480,000 Series 1 warrants and 13,000 Series 2 warrants. The program has an initially term of 4.9 years.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 shall be SEK 1,000,000 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Subject to the fulfilment of an Exit Event (as described below and in the terms and conditions of the warrants), the subscription price per ordinary share for warrants of Series 1 shall instead be SEK 17.50. Each warrant entitles to subscription of one ordinary share in the company. Thus, if all warrants are fully subscribed for, the company's share capital will increase with not more than SEK 493,000. The warrants are granted to the participants over a period of four years, of which one quarter of the warrants shall be deemed granted on 31 October 2017, 2018, 2019 and 2020, respectively. Each warrant shall, during the period from 31 October 2017 and up to and including 31 August 2021, entitle the holder to subscribe for one new ordinary share in Nuevolution AB (publ) at an exercise price in accordance with the above.

### Terms and conditions for Warrant Program 2015/2021 and Warrant Program 2016/2021:

Pursuant to the terms and conditions for both Warrant Program 2015/2021 and Warrant Program 2016/2021 warrants of Series 1, an "Exit Event" occurs if:

- i. more than 90 percent of the shares are sold to a buyer and the purchase price per share corresponds to at least SEK 22.975 per share,
- ii. the company's operations or a substantial part of the company's assets are sold and the purchase price corresponds to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company,
- iii. the company is liquidated and the distribution proceeds correspond to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company, or
- iv. the company is publicly listed on a regulated stock market or Nasdaq First North and the overall value of the company at the listing date corresponds to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company.

Pursuant to the terms and conditions for both Warrant Program 2015/2021 and Warrant Program 2016/2021 warrants of Series 2, an "Exit Event" occurs if:

- i. more than 90 percent of the shares of the company are sold to a buyer,
- ii. the company's operations or a significant part of the company's assets are sold,
- iii. the company is liquidated, or
- iv. the company is publicly listed on a regulated stock market or Nasdaq First North.



## Note

### Development in the number of outstanding warrants (Warrant Program 2015/2021):

	Number of warrant held by the Board of Directors	Number of warrant held by the Executive Management	Number of warrant held by the other member of Management	Number of warrant held by employees	Total outstanding warrants
<b>Outstanding at 1 July 2016</b>	<b>529.201</b>	<b>1.911.113</b>	<b>773.890</b>	<b>1.873.633</b>	<b>5.087.837</b>
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	-17.319	-17.319
Transferred	0	0	0	0	0
<b>Outstanding at 30 June 2017</b>	<b>529.201</b>	<b>1.911.113</b>	<b>773.890</b>	<b>1.856.314</b>	<b>5.070.518</b>
Series 1	381.034	0	536.912	1.749.293	2.667.239
Series 2	148.167	1.911.113	236.978	107.021	2.403.279
<b>Outstanding at 30 June 2017</b>	<b>529.201</b>	<b>1.911.113</b>	<b>773.890</b>	<b>1.856.314</b>	<b>5.070.518</b>
<b>Outstanding at 1 July 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Granted	529.201	1.911.113	773.890	1.873.633	5.087.837
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
<b>Outstanding at 30 June 2016</b>	<b>529.201</b>	<b>1.911.113</b>	<b>773.890</b>	<b>1.873.633</b>	<b>5.087.837</b>
Series 1	381.034	0	536.912	1.766.612	2.684.558
Series 2	148.167	1.911.113	236.978	107.021	2.403.279
<b>Outstanding at 30 June 2016</b>	<b>529.201</b>	<b>1.911.113</b>	<b>773.890</b>	<b>1.873.633</b>	<b>5.087.837</b>

No warrants from the Warrant Program 2016/21 have been granted during the financial year 2016/17.

#### Warrant Program 2015/2021

Recognized amount in the income statement is an expense of TDKK 38,614 for warrants vested in 2015/16 and an income for warrants cancelled in 2016/17 of TDKK 122. The fair value of both cancelled and granted warrants is recognized in the income statement and is set off against equity in the respective financial years.

#### Warrant Program 2016/2021

The fair value at the time of allocation is based on the Black & Scholes pricing formula. Preconditions for calculating the fair value of warrants:

## Note

### Assumptions for fair value assessment:

	Warrant Program	
	2015/21	2016/21
* All warrants are granted and the warrants are exercised after the date of grant after:	5.72 years	4.9 years
* A volatility of:	65%	45%
* A dividend pay-out ratio of:	0%	0%
* A risk-free interest rate of:	0,30%	-0,53%

The expected volatility is based on the historical volatility of health care and biotech companies listed on Nasdaq First North Premier.

The expected maturity is based on management estimates.

Expected dividends per share is based on historical share dividends.

The risk-free interest rate is based on five years Swedish government bonds.

If Warrant Program 2015/2021 and Warrant Program 2016/21 is fully exercised, the dilution effect will correspond to 10.6 percent and 1 percent respectively with a total dilutive effect of 11.5 percent based on the current number of outstanding shares.

The company has no other outstanding incentive programs.

### Effect on income statement

The fair value of warrants programs effects the income statement as follows:

DKK '000	2016/17	2015/16
Warrant program 2011	2	53
Warrant program 2015/2021	-122	38.614
Warrant program 2016/2021	0	-
	<b>-120</b>	<b>38.667</b>
<u>The fair value are recognized as follows:</u>		
Research and development expenses	-122	19.431
Sales, general and administration expenses	2	19.236
	<b>-120</b>	<b>38.667</b>

The costs are set-off against equity.

## Note

### 21 Pledges and guarantees

The company has no pledges or issued any guarantees.

### 22 Contingent assets and liabilities

#### *License and Collaboration Agreements*

We are entitled to potential milestone payments and royalties on successful commercialization of product developed under license and collaboration agreements with our partners. Since the size and timing of such payments are uncertain until the milestones are reached, the agreements may qualify as contingent assets. However, it is impossible to measure the value of such contingent assets, and, accordingly, no such assets have been recognized.

#### *Pending commercial litigation*

Nuevolution A/S is currently involved in one pending commercial litigation arising out of the normal conduct of its business (case against Henrik Pedersen). Nuevolution A/S does not expect the pending commercial litigation to have a material impact on Nuevolution A/S's financial position, operating profit or cash flow in addition to the amounts accrued.

#### **Accounting Policy**

Contingent assets and liabilities are assets and liabilities that arose from past events but whose existence will only be confirmed by the occurrence or non-occurrence of future events that are beyond Nuevolutions control.

Contingent assets and liabilities are not to be recognized in the financial statements, but are disclosed in the notes.

### 23 Related parties

Apart from the parent company, Nuevolution AB (publ) there are no other related parties with controlling influence on the Company.

Nuevolution A/S's related parties comprise the parent company, the Company's board of Directors and Management as well as relatives to these persons. Related parties also comprise companies in which the individuals mentioned above have material interests.

Apart from salaries and warrants (see note 7 and 20) , there were no significant transactions with Management or Board of Directors.



## Note

### Related party transactions

Information on transaction with related parties is stated below:

DKK '000	<u>2016/17</u>	<u>2015/16</u>
<i>Group Companies:</i>		
Purchase of services	1.006	513
Cost related to the Warrant Program 2015/21	0	38.614
Interest income	0	12
Interest expenses	221	1
 <i>Consultancy fee etc. to member of Board of Directors:</i>		
Jeanette Wood	0	28
Jutta Heim	0	31
 <i>Related parties with significant influence:</i>		
SEB (paid interest and fees)	139	55
SEB (deposit)	63.352	20.224

During 2016/17 the capital was increase by TDKK 62,500 (2015/16: TDKK 40,000).

In addition to the above, there were no transactions with other related parties and shareholders during 2016/17 and 2015/16. Please also refer to note 7, 8 and 9. All transactions were made according to market conditions.

## 24 Significant events after the balance sheet date

To secure the operation of the company, the parent company has in August injected new share capital by TDKK 500 with a surplus of TDKK 38,445.

No other significant subsequent events have occurred after the balance sheet date, which could have influence on the evaluation of the Annual Report.