

# Nuevolution A/S

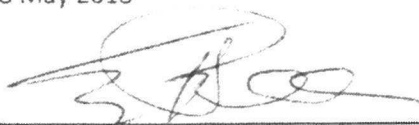
Rønnegade 8  
2100 Copenhagen Ø

CVR-nr. 26 02 97 08

## Annual Report for 2017

Approved at the annual general meeting of shareholders

on 8 May 2018



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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 - 31 December 2017
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	8 May 2018
Auditor	Ernst & Young Osvold 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 trillions 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

On the ordinary shareholders meeting held 7 November 2017, it was decided to change the financial year to follow the calendar year. Therefore, this annual report contains income statement and cash flow for the period 1 July to 31 December 2017. The comparative figures in the income statement and statement of cash flow are the ones presented in the last annual report covering the 12 months period 1 July 2016 to 30 June 2017.

The result for the period 1 July - 31 December 2017 shows a loss of TDKK 41,696 compared to loss of TDKK 16,535 for the period 1 July 2016 - 30 June 2017. The result for the period 1 July 2016 - 30 June 2017 was affected by revenue of TDKK 83,265 from the agreement with Almirall. Management considers the result to be satisfactory.

To the extent that the current working capital and income from existing and possibly new collaborations may not be sufficient to fund the company's operations (going concern), a funding risk may arise. For further information on financial risk, see note 18.

For further details of the Company, its activities and the development during the financial year 2017, please refer to the Annual Report 2017 of the Parent Company, Nuevolution AB (publ). The Annual Report 2017 for the Parent Company is available on [www.nuevolution.com](http://www.nuevolution.com).

### Going concern

As set out in note 24 the company has received a letter of comfort from the parent company, hence we have presented the financial statements under the going concern assumption.

### Subsequent events

On 3 January 2018, Nuevolution AB (publ) announced that Nuevolution A/S is to receive license fee payment of USD 750,000 from Janssen Biotech, which has exercised its option to license one of the research programs under the multi-target collaboration entered between the parties in October 2015. This payment was received in mid-February 2018. No further significant events of importance to the financial statements have occurred since 31 December 2017.

## 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 2017 to 31 December 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 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, 8 May 2018


### EXECUTIVE MANAGEMENT



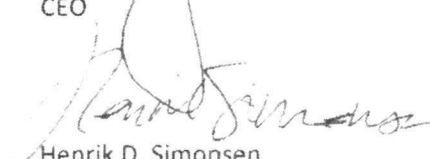
Alex Haahr Gouliaev  
CEO



Thomas Franch  
CSO

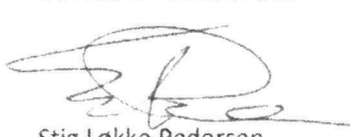


Antonius (TON) Berkien  
CBO

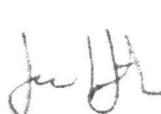


Henrik D. Simonsen  
CFO

### BOARD OF DIRECTORS



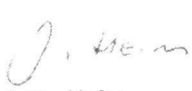
Stig Løkke Pedersen  
Chairman of the Board



Lars Henriksson



Søren Lemonius



Jutta Heim



Jeanette Wood

## **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 2017 – 31 December 2017, which comprise 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 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 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 July 2017 – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

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.

#### **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 the work we have performed, 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 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 as to 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 scepticism 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.
- 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 conclusions are 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.

## Independent auditors' report

- ▶ 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, 8 May 2018

### ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Christian Schwenn Johansen

State Authorised

Public Accountant

MNE-no. mne33234



Lars Hansen

State Authorised

Public Accountant

MNE-no. mne24828



## Income statement

DKK '000		1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
	Note		
Revenue	4	3.698	91.543
Research and development expenses	5, 7, 12	-41.349	-82.985
Sales, general and administrative expenses	6, 7, 12	-6.732	-13.638
<b>Operating expenses</b>		<b>-48.081</b>	<b>-96.623</b>
Other operating income	8	116	118
<b>Operating result</b>		<b>-44.267</b>	<b>-4.962</b>
Income from investment in subsidiary		0	-3
Financial income	9	231	2.274
Financial expenses	10	-410	-1.673
<b>Result before tax</b>		<b>-44.446</b>	<b>-4.364</b>
Corporate tax	11	2.750	-12.171
<b>Result for the period</b>		<b>-41.696</b>	<b>-16.535</b>
<b>Distribution of the period's result</b>			
<b>Net loss attributable to shareholder of the Company</b>		<b>-41.696</b>	<b>-16.535</b>
<b>Statement of comprehensive income</b>			
Net result for the period		-41.696	-16.535
Other comprehensive income		0	0
<b>Total net comprehensive result for the period</b>		<b>-41.696</b>	<b>-16.535</b>
<b>Distribution of the period's result</b>			
<b>Net comprehensive loss attributable to shareholder of the Company</b>		<b>-41.696</b>	<b>-16.535</b>

## Statement of financial position

DKK '000		31 December	30 June
	Note	2017	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other fixtures, fittings, tool and equipment	12	3.896	3.867
Leasehold improvement	12	899	405
Income tax receivable	11	2.750	3.650
Leasehold deposits		1.284	1.284
<b>Total non-current assets</b>		<b>8.829</b>	<b>9.206</b>
<b>Current assets</b>			
Trade receivable	13	435	72
Income tax receivable	11	3.650	5.500
Other current receivables and prepayments	14	2.819	1.647
Cash and cash equivalents	22	59.980	68.356
<b>Total current assets</b>		<b>66.884</b>	<b>75.575</b>
<b>TOTAL ASSETS</b>		<b>75.713</b>	<b>84.781</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	15	16.500	16.000
Share premium		100.496	62.051
Retained earning		-58.210	-16.656
<b>Total shareholders' equity</b>		<b>58.786</b>	<b>61.395</b>
Lease liabilities	17	2.125	2.267
<b>Total non-current liabilities</b>		<b>2.125</b>	<b>2.267</b>
<b>Current liabilities</b>			
Current portion of long-term lease liabilities	17	1.040	1.143
Trade payables	16	4.602	7.186
Payables, Group Companies	16	475	242
Other current liabilities	16	4.913	5.819
Prepayments from collaboration partners	8	1.479	738
Deferred income	4	2.293	5.991
<b>Total current liabilities</b>		<b>14.802</b>	<b>21.119</b>
<b>Total liabilities</b>		<b>16.927</b>	<b>23.386</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>75.713</b>	<b>84.781</b>

## Statement of cash flows

DKK '000		1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
	Note		
<b>Operating activities</b>			
Loss before tax		-44.446	-4.364
Adjustment for depreciation of plant and equipment	12	696	1.318
Adjustment for non-cash effect of the share-based payments	21	142	-120
Income from investment in subsidiary		0	3
Financial income		-231	-2.274
Financial expenses		410	1.673
<b>Cash flow before change in working capital</b>		<b>-43.429</b>	<b>-3.764</b>
Change in working capital	19	-7.749	-4.710
<b>Cash flow from operations</b>		<b>-51.178</b>	<b>-8.474</b>
Interest received		224	964
Interest paid		-403	-363
Corporate tax paid/received		5.500	-9.946
<b>Cash flow from operating activities</b>		<b>-45.857</b>	<b>-17.819</b>
<b>Investing activities</b>			
Investments in plant, equipment, fittings and tools	19	-903	-499
Investments in financial assets		0	-7
<b>Cash flow from investing activities</b>		<b>-903</b>	<b>-506</b>
<b>Financing activities</b>			
New share issue	15	38.945	62.500
Repayments of lease liabilities	20	-561	-1.058
<b>Cash flow from financing activities</b>		<b>38.384</b>	<b>61.442</b>
<b>Net change in cash</b>		<b>-8.376</b>	<b>43.117</b>
Cash and cash equivalents, beginning of period		68.356	25.239
<b>Cash and cash equivalents, end of period</b>	22	<b>59.980</b>	<b>68.356</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 2017</b>	16.000	62.051	-16.656	61.395
Result for the period	0	0	-41.696	-41.696
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	0	0	-41.696	-41.696
<b>Transactions with owner</b>				
Share issue	500	38.445	0	38.945
Share based payments	0	0	142	142
<b>Total transaction with owner</b>	500	38.445	142	39.087
<b>Total changes in equity</b>	500	38.445	-41.554	-2.609
<b>Equity at 31 December 2017</b>	<b>16.500</b>	<b>100.496</b>	<b>-58.210</b>	<b>58.786</b>

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 owners</b>				
Share issue	449	62.051	0	62.500
Capital reduction	-270.174	-40.000	310.174	0
Cost related to the share issue	0	0	0	0
Share based payments	0	0	-120	-120
<b>Total transaction with owners</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>

There are no limitations concerning distribution of 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 at Rønnegade 8, 2100 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 31 December 2017 were authorized for approval at the Annual General Meeting to be held on 8 May 2018, with a resolution of the Board of Directors on 8 May 2018 for approval.

### **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 31 December 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 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**

On the ordinary shareholders meeting held 7 November 2017, it was decided to change the financial year to follow the calendar year. Therefore, this annual report contains income statement and cash flow for the period 1 July to 31 December 2017. The comparative figures in the income statement and statement of cash flow are the ones presented in the last annual report covering the 12 months period 1 July 2016 to 30 June 2017.

Previously reimbursed expenses (2017: TDKK 512, 2016/17: TDKK 192) and government grants (2017: TDKK 116, 2016/17: TDKK 118) have been presented as revenue. Since neither reimbursed expenses nor government grants meet the characteristics of revenue from customers, reimbursement of expenses has been reclassified and set-off against related costs and income from government grants has been reclassified to

other operating income. The reclassification has no impact on the net result, earnings per share, financial position or cash flow. The comparative figures in the income statement have been restated retrospectively.

Except of the reclassification of reimbursed expenses and government grant, and the change in financial year, the accounting policies are consistent with those applied to the Annual Report for 2016/17.

## **NEW STANDARDS AND INTERPRETATIONS**

With effect from 1 July 2017, the company has adopted:

- Amendments to IAS 7 – Presentation of financial liabilities
- Annual Improvements 2014-2016:
  - IFRS 2 – Share based payment
  - IAS 12 – Assessment of deferred tax assets
- 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 EFFECTIVE 2018 AND 2019**

The IASB has issued, and the EU has endorsed, a number of new standards and updated some existing standards, which are effective for accounting periods beginning on 1 January 2018 or later. Therefore, they are not incorporated in the Annual Report. Standards and interpretations issued before 31 December 2017, of relevance for the company, and expected to change current accounting regulation significantly are described below.

- IFRS 9 Financial instruments. The IASB has issued IFRS 9 “Financial Instruments”, with an effective date of 1 January 2018. The EU has endorsed IFRS 9. The company will adopt IFRS 9 on the effective date. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The company plans to adopt the new standard, retrospectively in accordance with the standard, on the required effective date. Based on the current accounting treatment of the company’s financial instruments the application of IFRS 9 will not have an impact on the financial position or financial performance of the company.
- IFRS 15 Revenue from contracts with customers. The IASB has issued IFRS 15 “Revenue from contracts with customers” and Clarifications to IFRS 15 with an effective date of 1 January 2018. The EU has endorsed IFRS 15. The company will adopt IFRS 15 on the effective date by using the modified retrospective method. With the implementation of IFRS 15, entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. The company generates its revenue through a number of research and development, license, and collaboration contracts. A typical contract includes multiple forms of consideration including an up-front payment, milestone payments, royalties, and cost reimbursement. Since the company is applying the modified retrospective method it has analysed its ongoing contracts as of 31 December 2017, i.e. the contracts with Janssen Biotech, Amgen Inc and Almirall. These contracts have been reviewed contract by contract to ascertain how IFRS 15 will impact the identification of distinct goods and services and the allocation of consideration to them. Based on the review performed, IFRS 15 will not have an impact on the financial position or financial performance of the company. However, new disclosures will be required.

- **IFRS 16 Leases.** The IASB has issued IFRS 16 "Leasing", with an effective date of 1 January 2019. The EU has endorsed IFRS 16. The company plans to adopt the new standard on the required effective date by using the modified retrospective approach. The standard requires that all leases be recognized in the balance sheet with a corresponding lease liability, except for short term assets and minor assets. Leased assets are amortized over the lease term, and payments are allocated between instalments on the lease liabilities and interest expense, classified as financial items. The company is currently evaluating the impact on the annual report and the most significant impact will be the recognition of new assets and liabilities for its operating lease of office facilities. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Upon implementation on 1 January 2019, assuming that no new material leases are entered into and no amendments to existing leases are made, the company is expected to recognize a liability to make lease payments related to the company's premises in Copenhagen of approximately DKK 15 million and an asset representing the right to use the premises during the lease term (i.e. the right to use asset) of approximately DKK 15 million. Applying the modified retrospective approach, the expected accumulated effect on equity and total assets at 1 January 2019 approximates DKK 0 million and DKK 15 million, respectively. Following the implementation, the company will separately recognize the interest expense in the lease liability and the depreciation on the right to use the company's premises in Copenhagen. The implementation of IFRS 16 is not expected to have an impact on the financial position or financial performance of the company. Further, IFRS 16 also requires the company to make more extensive disclosures than under IAS 17.

#### **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. 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 2, 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 11.



## Note

### 4 Revenue and deferred income

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Upfront & milestone payments	3.698	91.543
<b>Total</b>	<b>3.698</b>	<b>91.543</b>
Revenue split by Geographical Area		
Denmark	0	0
Spain	0	83.265
USA	3.698	8.278
<b>Total</b>	<b>3.698</b>	<b>91.543</b>

Revenue is based on a contract with one partner in the period 1 July - 31 December 2017 and two partners in the financial year 2016/17 as the following:

Customer 1	100%	9%
Customer 2	0%	91%

#### Balance Sheet

Deferred income	2.293	5.991
<b>Total</b>	<b>2.293</b>	<b>5.991</b>

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

Current	2.293	4.816
Non-current	0	1.175
<b>Total</b>	<b>2.293</b>	<b>5.991</b>

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

#### 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.

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.

## Note

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.

### *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.

For the year ended 31 December 2017, Nuevolution has not recognized any revenues from future payments under the collaboration agreement with Almirall. 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.

## 5 Research and development expenses

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Employee benefit expenses	13.802	29.338
External expenses	27.383	52.529
Depreciation	676	1.310
<b>Total</b>	<b>41.861</b>	<b>83.177</b>
Reimbursed expenses from collaboration partners	-512	-192
<b>Net research and development expenses</b>	<b>41.349</b>	<b>82.985</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.

Reimbursed expenses related to project under collaboration agreements are invoiced to the partners and are set-off against research and development expenses.

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 continuous 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 31 December 2017 and comparative periods.

## 6 Sales, general and administration expenses

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Employee benefit expenses	3.412	6.981
External expenses	3.300	6.649
Depreciation	20	8
<b>Total</b>	<b>6.732</b>	<b>13.638</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	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Wages & salaries	15.260	30.734
Bonus	-126	2.942
Share-based payment	141	-120
Pension (Defined contribution)	385	350
Other social security costs	126	162
Other personnel costs	1.428	2.251
<b>Total</b>	<b>17.214</b>	<b>36.319</b>

Staff costs are recognized as follows:

Research and development expenses	13.802	29.338
Sales, general and administration expenses	3.412	6.981
<b>Total staff cost</b>	<b>17.214</b>	<b>36.319</b>

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Management (Wages & salaries)	2.963	5.830
Management (Bonus)	-126	1.166
Management (Share-based payment)	0	2
Management (Pension - Defined contribution)	121	187
Management (Other social security costs)	4	9
<b>Total</b>	<b>2.962</b>	<b>7.194</b>

Employees:

Average number of FTE	48	45
Number of FTE end of year	47	47

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.

#### 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, under which 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 earning the 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 combination of a Black-Scholes model and a Monte-Carlo simulation model. Please refer to Note 21 for further details.

## Note

### 8 Other operating income

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
Government grant	116	118
Total	116	118
<b>Recognized in the balance sheet:</b>		
<b>Total recognized in the balance sheet</b>	<b>1.479</b>	<b>738</b>

#### Accounting Policy

Other operating income comprises research funding from government grant. Research funding is recognized in the period when the research activities have been performed and when there is reasonable assurance that the grants will be received. Grants for research and development costs, which are recognized directly in the income statement are recognized under other operating income as the grants are considered to be cost refunds and not as such revenue.

Prepaid grants are recognized in the balance sheet as prepayments of government grants at par value on receipt and is transferred to the income statement concurrently with the related expenses occur.

### 9 Financial income

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
Interest income	0	10
Foreign exchange gain	231	2.264
<b>Total</b>	<b>231</b>	<b>2.274</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.

### 10 Financial expenses

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
Interest expenses	39	0
Interest expenses, Group companies	0	221
Leasing interest	52	126
Bank fees and other financial expenses	66	172
Foreign exchange loss	253	1.154
<b>Total</b>	<b>410</b>	<b>1.673</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

### 11 Corporate and deferred tax

#### Taxation - income statement

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Loss for the year	-44.446	-4.364
Tax rate	22,0%	22,0%
Tax on loss for the year	9.778	960
Tax value of non-deductible expenses	-2	-5
Tax on share based payment	-31	26
Utilization of tax credit	2.750	3.650
Taxes paid in Spain	0	-15.820
Adjustment of deferred tax	2.804	2.668
Adjustment of taxes from prior year	0	-1.000
Accounting estimate for utilization of tax losses	-12.549	-2.650
<b>Total</b>	<b>2.750</b>	<b>-12.171</b>

#### Taxation - balance sheet

DKK '000	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
Component of the deferred tax asset are as follows:		
Tangible fixed assets	-607	-691
Net payments under finance lease	696	750
Capitalized R&D costs	-3.426	-5.140
Prepayments	282	-24
Deferred income	-504	-1.318
Share-based payments	-8.499	-8.468
Tax loss carry-forward	-92.226	-82.427
	<b>-104.284</b>	<b>-97.318</b>
Unrecognized deferred tax asset	104.284	97.318
	<b>0</b>	<b>0</b>

Corporate tax for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act. During the financial year 2016/17, 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 income tax in the income statement for 2016/17. For 2017 there was no income tax effect of Almirall.

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 the period 1 July - 31 December 2017 were TDKK 104,284 (1 July 2016 - 30 June 2017: TDKK 97,318).

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 research and development costs in accordance with the Danish corporate tax act at the corporate income tax rate (22% for both 2017 and 2016/17) based on total research and development cost of up to DKK 25 million. Nuevolution A/S has an income tax year running from 1 July to 30 June, therefore the Company has recognized tax credits based on DKK 12.5 million, corresponding to the part of the income tax year that is included in the financial year from 1 July 2017 to 31 December 2017, in total TDKK 2,750. For the period 1 July 2016 to 30 June 2017, the Company recognized tax credit of TDKK 3,650.

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 31 December 2017.

## Note

### 12 Tangible fixed assets

DKK '000	Other fixtures, fittings, tool and equipment	Leasehold improvement	Total
Cost at 1 July 2017	26.767	9.607	36.374
Additions	678	541	1.219
<b>Cost at 31 December 2017</b>	<b>27.445</b>	<b>10.148</b>	<b>37.593</b>
Depreciation and impairment at 1 July 2017	22.900	9.202	32.102
Depreciation and impairment for the period	649	47	696
<b>Depreciation and impairment at 31 December 2017</b>	<b>23.549</b>	<b>9.249</b>	<b>32.798</b>
<b>Carrying amount at 31 December 2017</b>	<b>3.896</b>	<b>899</b>	<b>4.795</b>
<b>Hereof leased tools and equipment</b>	<b>3.291</b>	<b>0</b>	<b>3.291</b>
<u>Depreciation and impairment expenses are recognized as follows:</u>			
Research and development expenses	649	27	676
Sales, general and administration expenses	0	20	20
<b>Total depreciation and impairment expenses</b>	<b>649</b>	<b>47</b>	<b>696</b>
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>3.636</b>	<b>0</b>	<b>3.636</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>

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	5-10
Other fixtures and fittings, tools and equipment	3-5

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates

##### 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 Trade receivables

	31 December 2017	30 June 2017
DKK '000		
Trade receivables, gross value	435	72
Trade receivables, impaired	0	0
<b>Total</b>	<b>435</b>	<b>72</b>
Age analysis of trade receivables:		
- Not yet due	435	72
- Overdue by between 1 and 179 days	0	0
- Overdue by between 180 and 360 days	0	0
<b>Total receivables with credit risk exposure</b>	<b>435</b>	<b>72</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.

### 14 Other current receivables and prepayments

	31 December 2017	30 June 2017
DKK '000		
VAT	1.362	487
Prepayments	1.050	938
Other financial assets	407	222
<b>Total</b>	<b>2.819</b>	<b>1.647</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.

## Note

### 15 Share capital

	No. of shares	Share Capital DKK '000
Balance at 1 July 2017	16.000.000	16.000
New share issue	500.000	500
<b>Balance at 31 December 2017</b>	<b>16.500.000</b>	<b>16.500</b>
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>16.000.000</b>	<b>16.000</b>
Balance at 1 July 2015	285.725.298	285.725
New share issue	1	0
<b>Balance at 30 June 2016</b>	<b>285.725.299</b>	<b>285.725</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>285.725.298</b>	<b>285.725</b>
Balance at 1 July 2013	225.725.298	225.725
New share issue	0	0
<b>Balance at 30 June 2014</b>	<b>225.725.298</b>	<b>225.725</b>
Balance at 1 July 2012	225.725.298	225.725
New share issue	0	0
<b>Balance at 30 June 2013</b>	<b>225.725.298</b>	<b>225.725</b>

The share capital consists of 16.500.000 shares of DKK 1 nominal value. The share capital is fully paid up. All shares are owned by Nuevolution AB (publ), Rønnegade 8, Copenhagen.

### 16 Trade payables and other current liabilities

DKK '000	31 December 2017	30 June 2017
Trade payable	4.602	7.186
Payables, Group Companies	475	242
Other current liabilities	4.913	5.819
<b>Total</b>	<b>9.990</b>	<b>13.247</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 adjustment is not performed since the duration is short.

## Note

### 17 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	31 December 2017	30 June 2017
Non-current lease liabilities	2.125	2.267
Current portion of long-term lease liabilities	1.040	1.143
<b>Total</b>	<b>3.165</b>	<b>3.410</b>

Finance lease obligations

DKK '000	31 December 2017		30 June 2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	1.121	1.040	1.234	1.143
1-5 years	2.211	2.125	2.368	2.267
> 5 years	0	0	0	0
<b>Total minimum lease payments</b>	<b>3.332</b>	<b>3.165</b>	<b>3.602</b>	<b>3.410</b>
Less amounts representing finance charges	167	0	192	0
<b>Total</b>	<b>3.165</b>	<b>3.165</b>	<b>3.410</b>	<b>3.410</b>

The company has entered into rent contracts, which all can be terminated at maximum of 6 months notice. Annual rent payment of TDKK 2,868 (2016/17: TDKK 2,807), where TDKK 2,495 (2016/17: TDKK 2,442) is included in research and development expenses and TDKK 373 (2016/17: TDKK 365) is included in sales, general and administrative expenses. The company has an operational lease agreement of minor assets with an annual payment of TDKK 55 (2016/17: TDKK 0), where TDKK 48 (2016/17: TDKK 0) is included in research and development expenses and TDKK 7 (2016/17: TDKK 0) is included in sales, general and administrative expenses.

#### 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

### 18 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.

Nuevolution's working capital as at 31 December 2017 is sufficient to support the company's operating cash flow needs for at least the 12 months following the date of the financial statements. However, it is expected that Nuevolution in 2018 may need to attain additional funding to support working capital needs for 2019 and beyond in support of its long term strategy for growth of the company and its business. Management intends to finance its operations for 2019 and beyond by income from existing and/or new collaboration partners and potentially a capital markets transaction. Further, the Company will continue to revisit its strategic plans for 2018 and beyond. On this basis, the Board of Directors and management continues to view the company as a going concern.

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

<b>31 December 2017</b>					
DKK '000					
Measured at amortized cost	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Lease liabilities	1.121	2.211	0	3.332	3.165
Trade payables	4.602	0	0	4.602	4.602
Payables, Group Companies	475	0	0	475	475
Other current liabilities	4.913	0	0	4.913	4.913
<b>Total financial liabilities</b>	<b>11.111</b>	<b>2.211</b>	<b>0</b>	<b>13.322</b>	<b>13.155</b>
Cash	59.980	0	0	59.980	59.980
<u>Measured at amortized cost</u>					
Trade receivables	435	0	0	435	435
Leasehold deposits	0	0	1.284	1.284	1.284
Other current receivables	1.769	0	0	1.769	1.769
<b>Total financial assets</b>	<b>62.184</b>	<b>0</b>	<b>1.284</b>	<b>63.468</b>	<b>63.468</b>
<b>Net</b>	<b>-51.073</b>	<b>2.211</b>	<b>-1.284</b>	<b>-50.146</b>	<b>-50.313</b>

<b>30 June 2017</b>					
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
<u>Measured at amortized cost</u>					
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>

## Note

### Currency risk

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 31 December 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>31 December 2017</b>						
EUR	2.939	0	-154	2.785	10%	279
USD	6	417	-1.167	-744	10%	-74
<b>30 June 2017</b>						
EUR	6.431	0	-38	6.393	10%	639
USD	13	36	-3.454	-3.405	10%	-341

\*) 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 711 (2015/16: TDKK 597) 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 59,980 as of 31 December 2017 compared to TDKK 68,356 as of 30 June 2017.

## Note

### 19 Adjustment to cash flow statement

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
<b>Group</b>		
DKK '000		
<b>Change in working capital</b>		
Trade receivables	-363	218
Other receivables	-1.172	338
Trade payables	-2.584	-2.147
Trade payables, Group Companies	233	-280
Other current liabilities	-906	475
Prepayments from collaboration partners	741	738
Deferred income	-3.698	-4.052
	<b>-7.749</b>	<b>-4.710</b>
<b>Investment in plant, equipment, fittings and tools</b>		
Acquisition of plant, equipment, fittings and tools etc (note 12)	-1.219	-1.253
New financial lease agreements	316	754
Net investment in plant, equipment, fittings and tools	<b>-903</b>	<b>-499</b>

### 20 Specification of changes in leasing liabilities

	30 June 2017	Cash flows	Non-cash changes		31 December 2017
			Reclassifica- tions	New leases	
DKK '000					
Non-current lease liabilities	2.267		-458	316	2.125
Current lease liabilities	1.143	-561	458	0	1.040
Total liabilities from financing activities	<b>3.410</b>	<b>-561</b>	<b>0</b>	<b>316</b>	<b>3.165</b>

## Note

### 21 Share based payments

#### Warrant Program 2015/2021

The program comprise of 5,061,858 warrants, hereof 2,658,579 Series 1 warrants and 2,403,279 Series 2 warrants. The program has an initial term of five years. All warrants according to this warrant program have been granted, and have vested.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 is SEK 17.50 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Thus, if all warrants are fully subscribed for, the company's share capital will increase with SEK 5,061,858. The warrants may be exercised for subscription of shares from 31 August 2016 up until and including 31 August 2021.

#### Warrant Program 2016/2021

The program comprise 493,000 warrants, hereof 480,000 Series 1 warrants and 13,000 Series 2 warrants. During the period 1 July - 31 December 2017, 70,000 warrants have been granted.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 is SEK 17.50 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 is SEK 11.25. 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 SEK 493,000. The warrants granted to the participants are vesting over a period of four years, of which one quarter of the warrants shall be deemed vested on 31 October 2017, 2018, 2019 and 2020, respectively. Warrants of series 1 are only exercisable if the trading price of the company's share on Nasdaq First North Premier or Nasdaq Stockholm at the time of applying for subscription of shares corresponds to at least SEK 22.975. This condition has been reflected when determining the fair value of the warrants granted of series 1.

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

	2015/21		2016/21		Total
	Serie 1	Serie 2	Serie 1	Serie 2	
<b>Outstanding at 1 July 2017</b>	<b>2.667.239</b>	<b>2.403.279</b>	<b>0</b>	<b>0</b>	<b>5.070.518</b>
Granted	0	0	70.000	0	70.000
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	-8.660	0	0	0	-8.660
Transferred	0	0	0	0	0
<b>Outstanding at 31 December 2017</b>	<b>2.658.579</b>	<b>2.403.279</b>	<b>70.000</b>	<b>0</b>	<b>5.131.858</b>
<b>Exercisable at 31 December 2017</b>	<b>2.658.579</b>	<b>2.403.279</b>	<b>17.500</b>	<b>0</b>	<b>5.079.358</b>
<b>Weighted average remaining contractual life</b>					<b>3,67</b>
Number of warrant held by the Board of Directors	381.034	148.167	0	0	529.201
Number of warrant held by the Executive Management	0	1.911.113	0	0	1.911.113
Number of warrant held by other member of Group Management	536.912	236.978	0	0	773.890
Number of warrant held by employees	1.740.633	107.021	70.000	0	1.917.654
<b>Total outstanding warrants</b>	<b>2.658.579</b>	<b>2.403.279</b>	<b>70.000</b>	<b>0</b>	<b>5.131.858</b>

## Note

	2015/21		2016/21		Total
	Serie 1	Serie 2	Serie 1	Serie 2	
<b>Outstanding at 1 July 2016</b>	<b>2.684.558</b>	<b>2.403.279</b>	<b>0</b>	<b>0</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	-17.319	0	0	0	-17.319
Transferred	0	0	0	0	0
<b>Outstanding at 30 June 2017</b>	<b>2.667.239</b>	<b>2.403.279</b>	<b>0</b>	<b>0</b>	<b>5.070.518</b>
<b>Exercisable at 30 June 2017</b>	<b>2.667.239</b>	<b>2.403.279</b>	<b>0</b>	<b>0</b>	<b>5.070.518</b>
<b>Weighted average remaining contractual life</b>					<b>4,17</b>
Number of warrant held by the Board of Directors	381.034	148.167	0	0	<b>529.201</b>
Number of warrant held by the Executive Management	0	1.911.113	0	0	<b>1.911.113</b>
Number of warrant held by other member of Group Management	536.912	236.978	0	0	<b>773.890</b>
Number of warrant held by employees	1.749.293	107.021	0	0	<b>1.856.314</b>
<b>Total outstanding warrants</b>	<b>2.667.239</b>	<b>2.403.279</b>	<b>0</b>	<b>0</b>	<b>5.070.518</b>

### Warrant Program 2015/21 and 2016/2021

The fair value at the time of grant is based on the combination of a Black-Scholes model and a Monte-Carlo simulation model. The fair value is based on the following parameters:

	Warrant Program	
	2016/21 18 Dec. 2017	2015/21 15 Dec. 2015
* Weighted average fair value of warrants granted	5,78	9,53
* An option life of:	3.7 years	5.72 years
* A volatility of:	46%	65%
* A dividend pay-out ratio of:	0%	0%
* A risk-free interest rate of:	0,20%	0,30%
* A weighted average share price of:	17,30	13,69

The expected volatility is based on the historical volatility of health care and biotech companies listed on Nasdaq First North Premier. The exercise of the series 1 warrants is subject to a condition that the share price excises SEK 22.975. This condition has been factored in when determining the fair value of the warrants granted.

The expected maturity is based on management estimates.

Expected dividends per share is based on historical share dividends and management's expectation about future 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.



## Note

### Effect on income statement

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

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
Warrant program 2011	-	2
Warrant program 2015/2021	-62	-122
Warrant program 2016/2021	203	0
	<b>141</b>	<b>-120</b>
<u>The fair value are recognized as follows:</u>		
Research and development expenses	52	-122
Sales, general and administration expenses	89	2
	<b>141</b>	<b>-120</b>

The costs are set-off against equity.

### Accounting Policy

Employees (including Board of Directors and Executive Management) of the company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense as presented in either research and development expenses or sales, general and administrative expenses, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The fair value of the warrants is estimated at the grant date using a combination of a Black-Scholes model and a Monte-Carlo simulation model, taking into account the terms and conditions on which the warrants were granted.

### Management's judgements and estimates

Estimating fair value for the company's share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the respective grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the warrants, volatility dividend pay-out ratio and risk-free interest rate and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the company uses a combination of a Black-Scholes model and a Monte-Carlo simulation model for the warrant program 2015/21 and the warrant program 2016/21.

The assumptions and models used for estimating fair value for share-based payment transactions are discussed further above in the note 21.

## Note

### 22 Pledges and guarantees

The company has no pledges or issued any guarantees.

### 23 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 Nuevolution's control.

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

### 24 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.

The company has received a letter of support from the parent company in the amount of SEK 20 million covering the period until 28 February 2019.

The company is included in the group annual report of Nuevolution AB (publ), Sweden. The group annual report can be obtain at [www.nuevolution.com](http://www.nuevolution.com)

Apart from salaries and warrants (see note 7 and 21) , there were no significant transactions with Management or Board of Directors.

## Note

### Related party transactions

Information on transaction with related parties is stated below:

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
<i>Group (parent) companies:</i>		
Purchase of services	830	1.006
Cost related to the Warrant Programs	141	0
Interest expenses	0	221
Trade payables	475	242

### Related party transactions (continued)

Information on transaction with related parties is stated below:

	1 Jul. 2017 - 31 Dec. 2017 (6 months)	1 Jul. 2016 - 30 Jun. 2017 (12 months)
DKK '000		
<i>Related parties with significant influence:</i>		
SEB (paid interest and fees)	71	139
SEB (deposit)	54.999	63.352

During the period 1 July - 31 December 2017 there has been a capital increase in the company of TDKK 38,945 (1 July 2016 - 30 June 2017: TDKK 62,500). The parent company has issued a letter of support of SEK 20 million to secure the operation of its subsidiary Nuevolution A/S.

In addition to the above, there were no transactions with other related parties and shareholders during the period 1 July - 31 December 2017 and 1 July 2016 - 30 June 2017. Please also refer to note 7, 9 and 10. All transactions were made according to market conditions

## 25 Significant events after the balance sheet date

On 3 January 2018, Nuevolution announced that it is to receive license fee payment of USD 750,000 from Janssen Biotech, which has exercised its option to license one of the research programs under the multi-target collaboration entered between the parties in October 2015. This payment was received in mid-February 2018. No further significant events of importance to the financial statements have occurred since 31 December 2017.

### Accounting Policy

If Nuevolution obtains information after the balance sheet date, but prior to the date of the Board of Director's approval of the financial statements, about conditions that existed at the balance sheet date, Nuevolution assesses if the information affects the amounts that it recognizes in the financial statements.

Nuevolution will adjust the amounts recognized in its financial statements to reflect any adjusting events after the balance sheet date and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the balance sheet date, Nuevolution will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.