Nuevolution A/S

Rønnegade 8
2100 Copenhagen Ø

CVR-nr. 26 02 97 08

Annual Report for 2019

Approved at the annual general meeting of shareholders

on 11 September 2020

Chairman: Tore von Würden Petersen

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Company data

Company	Nuevolution A/S Rønnegade 8, 5. 2100 Copenhagen Ø	
	Telephone	+45 70 20 09 87
	WEB	www.amgen.com
	e-mail:	info@nuevolution.com
	CVR no.:	26 02 97 08
	Financial year	1 January - 31 December 2019
Board of Directors	Tore von Würden Petersen, Chairman Morten Kjærgaard Jakobsen Mads Torkild Hansen	
Executive Management	Alex Haahr Gouliaev Thomas Franch Antonius Berkien Johnny Stilou	
Parent Company	Nuevolution AB Rønnegade 8, 5. 2100 Copenhagen Ø	
	Telephone	+45 70 20 09 87
	Org. No.	559026-4304
	Ownership	100%
Ultimate parent	Amgen Inc. One Amgen Center Drive Thousand Oaks, CA USA	
	Telephone	+1 805-447-1000
	www.amgen.com	
Shareholders meeting	11 September 2020	
Auditor	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	
Bank	Citibank Europe Plc, Denmark Branch, Filial of Citibank Europe Plc, Irland Vesterbrogade 1 L 1620 Copenhagen V	

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

The result for the financial year 2019 shows a loss of TDKK 76,305 compared to loss of TDKK 64,411 for the financial year 2018. Management considers the result to be satisfactory.

In July 2019 the parent company Nuevolution AB (publ) was acquired by the American company Amgen Inc. With effect from 16 July the Nuevolution AB became a wholly owned subsidiary of Amgen Inc. At the same time Nuevolution AB (publ) was delisted from Nasdaq Stockholm.

In the light of the delisting of the parent company, Nuevolution A/S, due to administrative reasons changed its accounting format from IFRS to the Danish Financial Statement Act. Reference is made to note 1 in the financial statement.

Going concern

As set out in note 12 the company has received a capital contribution to support its opereation for minimum the following 12 months, hence we have presented the financial statements under the going concern assumption.

Subsequent events

1 January 2020: The company received a capital contribution of million 101 DKK to secure its operation for minimum the next 12 month. Following the receipt of the capital contribution the share capital of the company was re-established.

The company' research facilities has partly been closed during the initial period of the corona pandemic. Implementation of various protection actions, the company has managed to continue with a almost normal research activities. Hence, the corona pandemic has limited impact on the companies financial result and position.

Directors' and Management's Statement on the Annual Report

The Board of Directors and Executive Board have today discussed and approved the annual report of Nuevolution A/S for the financial year 1 January to 31 December 2019.

The annual report has been prepared in accordance with 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 2019 and of the results of its operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 September 2020

EXECUTIVE MANAGEMENT

Alex Haahr Gouliaev
CEO

Thomas Franch
CSO

Antonius Berkien
CBO

Johnny Stilou
CFO

BOARD OF DIRECTORS

Tore von Würden Petersen
Chairman of the Board

Morten Kjærgaard Jakobsen

Mads Torkild Hansen

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 January – 31 December 2019, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with 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.

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 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.

- 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.

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 form of 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 misstatement of the Management's review.

Copenhagen, 11 September 2020

EY

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Rasmus Bloch Jespersen

State Authorised

Public Accountant

mne35503

Income statement

DKK '000	Note	2019	2018
Revenue	2	17.360	8.125
Research and development expenses	3, 5, 8	-80.202	-66.298
Sales, general and administrative expenses	4, 5, 8	-16.345	-12.761
Operating expenses		**-96.547**	**-79.059**
Other operating income	6	285	1.708
Operating result		**-78.902**	**-69.226**
Financial income		298	240
Financial expenses		-923	-925
Result before tax		**-79.527**	**-69.911**
Corporate tax	7	3.222	5.500
Result for the period		**-76.305**	**-64.411**

Recommended appropriation of the period's result

Retained earnings		-76.305	-64.411
Total net comprehensive result for the period		**-76.305**	**-64.411**

Balance Sheet

DKK '000	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Other fixtures, fittings, tool and equipment	8	2.365	769
Right-of-use-assets	8	12.183	2.205
Leasehold improvement	8	1.009	788
Income tax receivable	7	1.889	2.750
Leasehold deposits		1.325	1.305
Total non-current assets		**18.771**	**7.817**
Current assets			
Trade receivable		226	1.316
Trade receivable, Group Companies		2.390	0
Income tax receivable	7	5.500	5.500
Other current receivables and prepayments		2.037	1.847
Cash and cash equivalents		6.640	61.228
Total current assets		**16.793**	**69.891**
TOTAL ASSETS		**35.564**	**77.708**
EQUITY AND LIABILITIES			
Share capital	9	16.500	16.500
Share premium		184.233	171.011
Retained earning		-198.926	-122.621
Total shareholders' equity		**1.807**	**64.890**
Lease liabilities	10	8.914	1.317
Total non-current liabilities		**8.914**	**1.317**
Current liabilities			
Current portion of long-term lease liabilities	10	3.513	903
Trade payables		2.377	2.340
Payables, Parent Company		0	392
Other current liabilities		16.930	6.484
Prepayments from collaboration partners		2.023	1.382
Total current liabilities		**24.843**	**11.501**
Total liabilities		**33.757**	**12.818**
TOTAL EQUITY AND LIABILITIES		**35.564**	**77.708**

Statement of changes in equity

DKK '000	Share capital	Share premium	Retained Earnings	Total equity
Equity at 1 January 2019	16.500	171.011	-122.621	64.890
Result for the period	0	0	-76.305	-76.305
Capital contribution	0	13.222	0	13.222
Equity at 31 December 2019	**16.500**	**184.233**	**-198.926**	**1.807**

There are no limitations concerning distribution of share premium account.

Note 1: Accounting policies

The Annual Report for the Company has been prepared in accordance with the Danish Financial Statement Act and Danish disclosure requirements for annual reports for accounting class B entities and elective choice of certain provisions applying to reporting class C entities.

The Annual Report is presented in DKK. All values are rounded to the nearest thousand DKK.

This note sets out the company's accounting policies that relate to the financial statements as a whole.

CHANGES IN ACCOUNTING POLICIES

Conversion from IFRS as adopted by the EU to the Danish Financial Statement Act

In previous years, the Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Due to administrative reasons, the Company has elected to change accounting policies and prepare the financial statements in for 2019 in accordance with the Danish Financial Statements Act. As such, the Company has prepared the financial statements in accordance with the Company's accounting policies under Danish Financial Statements Act and 'Bekendtgørelse om overgang til regnskabsaflæggelse under årsregnskabsloven' with and opening balance at 1 January 2018.

The Company's change in accounting policies from IFRS as adopted by the EU to the Danish Financial Statements Act has impacted the principles for recognition and measurement of share-based compensation, which under IFRS has been recognised based on the principles for equity settled awards. Under the Danish Financial Statements Act, the company does not recognize share-based compensation expenses.

Apart from the change in the principles for recognition of share-based compensation the conversion did not change the methods for recognition and measuring historically applied by the Company. The Comparative amount for 2018 have been restated to conform with the Danish Financial Statements Act.

As result of the restatement of the comparative amounts for 2018 'Research and development expenses' were increased by DKK 126 thousand, 'Sales, general and administrative expenses' were reduced by DKK 25 thousand and the income statement subtotals 'Operating expenses', 'Loss before tax' and 'Loss after tax' were increased by DKK 101 thousand. The restatement of the comparative amounts did not impact the opening equity at 1 January 2018 and 1 January 2019, respectively.

Adoption of IFRS 16 as interpretation for recognition and measuring of leases under the Danish Financial Statements Act

The company has chosen to apply IFRS 16 'Leases' as interpretation for recognition and measurement of leases under the Danish Financial Statements Act with effect stating 1 January 2019. On 1 January 2019, the Company recognized a lease liability related to the Company's premises in Copenhagen of TDKK 12,502 and an asset representing the right to use the premises during the lease term (i.e. the right to use asset) of TDKK 12,502. The lease agreement is an open-ended agreement. The lease agreement can be cancelled with a notice of six months. Nuevolution do not expect to cancel the agreement within a foreseeable period. The lease liability and corresponding value of the right to uses assets has been assessed for a five-year period. The company has applied an incremental borrowing rate of 2 %. Applying the modified retrospective approach, the accumulated effect on equity and total assets at 1 January 2019 is TDKK 0 and TDKK 12,502, respectively. Following the implementation, the Company has separately recognized the interest expense in the lease liability and the depreciation on the right to use asset.

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.

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

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 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 discounts, value added tax, duties, etc. collected on behalf of a third party.

In determining the appropriate amount of revenue to be recognized as it fulfils its obligations under each of its agreements, the company performs the following five steps:

(i) identification of the promised services in the contract;
(ii) determination of whether the promised services are performance obligations including whether they are distinct in the context of the contract;
(iii) measurement of the transaction price, including the constraint on variable consideration;
(iv) allocation of the transaction price to the performance obligations; and
(v) recognition of revenue when (or as) the company satisfies each performance obligation.

As part of the accounting for these arrangements, the company must develop assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified in the contract. The company uses key assumptions to determine the stand-alone selling price, which may include forecasted revenue, development timelines, and probabilities of technical and regulatory success.

Licenses of Intellectual Property
If the license to the company's intellectual property is determined to be distinct from the other performance obligations identified in an out-licensing arrangement, the company recognizes revenue from non-refundable, up-front fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, the company utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. The company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments
At the inception of each arrangement that includes development milestone payments, the company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the company re-evaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall

transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue in the period of adjustment.

Contract work
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 transfer of the services. The percentage of completion is made up based on the stage of completion on each individual work in progress.

Significant License and Collaboration Agreements

Amgen
In October 2016, Nuevolution entered into a research collaboration with Amgen, a multi target research collaboration in which Amgen has an exclusive option to obtain all rights to successfully developed programs.

During early discovery stage, Nuevolution covers all own cost. When Amgen decides to make a contractual opt-in, they will take over all cost including Nuevolution's cost. At contractual licensing, Amgen obtains ownership of the program and pays an upfront licensing fee of minimum USD 10 million depending on development stage at licensing. Further development and sales milestones equal up to USD 400 million per program plus tiered royalties on generated sales in case milestones are successfully reached.

Following the opt-in Nuevolution is reimbursed for all cost incurred on a non-refundable basis, why revenue is recognized in full as cost are incurred and invoiced. Future potential milestone payments including potential license of programs are outside the company's control why no revenue has been recognized.

Almirall
In December 2016, Nuevolution entered into a license agreement with Spanish pharmaceutical company Almirall, for Nuevolution's RORγt inhibitor program.

In this global strategic collaboration for RORγt development and commercialization, Almirall obtained a license to develop treatments for inflammatory skin diseases, such as psoriasis, and for psoriatic arthritis, the latter an inflammatory disease that affects the spine and other skeletal parts. All other developmental therapeutic indication rights remain with Nuevolution.

Through this collaboration, Nuevolution received, before Spanish withholding tax, EUR 11.2 million as an upfront license payment. Upon successful development of this program, the company may receive up to a further EUR 442 million in development and sales milestone payments as well as tiered royalties on future net sales. The received upfront license payment is non-refundable why revenue has been recognized in full.

In 2019 Nuevolution received, before Spanish withholding tax a milestone payment of EUR 1 million. Future potential milestone payments are outside the company's control why no revenue has been recognized.

Janssen Biotech
In October 2015, Nuevolution entered into a multitarget collaboration with Janssen Biotech, Inc.

Within the framework of the collaboration, Nuevolution will apply its drug discovery platform Chemetics® to discover and advance drug candidates against drug targets of interest to Janssen. Under the terms of the agreement, Nuevolution will receive an upfront payment, research funding and will be eligible to milestone payments upon achievement of specified research, development and commercial milestones. In addition, Nuevolution will be entitled to receive certain royalty payments on net-sale of products that may be commercialized as a result of the collaboration.

Future potential milestone payments are outside the company's control why no revenue has been recognized.

For the year ended 31 December 2019, Nuevolution has not recognized any revenues from future payments under the collaboration agreement with Almirall, Amgen or Janssen.

Research and development expenses

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, patents, regulatory approvals and approval extensions. In addition, research and development expenses also include wages and salaries, and other employee related cost, cost of premises, lawyer, depreciation etc. related to the research and development staff.

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.

Development expenses that are directly attributable to the development of identifiable assets controlled by the company are reported as intangible assets when the following criteria are met:

1) It is technically possible to complete the intangible asset so that it can be used or sold
2) The company's intention is to complete the asset and to use or sell it
3) There are prerequisites to use or sell the asset
4) It can be shown how the asset can generate probable future economic benefits
5) Appropriate technical, financial and other resources to complete the development and to use or sell the asset are available
6) expenses that are attributable to assets during its development can be reliably calculated

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.

Sales, General and administrative expenses

Sales, general and administrative expenses include wages and salaries, 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.

Staff expenses

Staff costs

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

Short-term remuneration

Remuneration of employees in form of salaries, bonuses, paid vacation, paid sickness absence, etc. and pension are recognized when the relevant services are received.

Retirement benefit

Post-employment pension and other remuneration are classified as defined-contribution or defined-benefit pension plans. The company has only defined-contribution pension plans. For defined-contribution plans, the company pays fixed contribution to a separate, independent legal entry and does not have any obligation to pay additional contribution. The company's earnings are charged with expenses in line with the benefits being earned, which normally coincides with the time when the premium is paid.

Other Operating income

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.

Financial Income

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.

Financial Expenses

Financial expenses include interest expenses, interest expenses relating to finance lease payments, bank fees or alike and realized and unrealized losses on transactions in foreign currencies. Financial interest expenses are recognized in the income statement according to the effective interest method and other financial expenses are recognized in the income statement at the amounts that relate to the reporting period.

Income taxes

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.

In assessing current tax for the year, the applicable tax rates and legislation on the statement of financial position date are used. Nuevolution A/S has a corporate income tax year running from 1 July to 30 June. With effect from 16 July 2019 Nuevolution A/S entered a joint taxation group with Amgen Filial af Amgen Aktiebolag, Sweden, with Amgen Filial af Amgen Aktiebolag, Sweden as the administration company. At the same time Nuevolution A/S changed its tax year to follow the calendar year with the period 1 July 2019 to 31 December 2020 as transition period. The first joint taxation period is 16 July 2019 to 31 December 2020.

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 2019 and 2018) based on total research and development cost of up to DKK 25 million.

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

Income tax receivable
Current tax assets for the current and prior periods shall be measured at the amount expected to be recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Tax assets that is expected to be recovered within 12 months is reported as current income tax receivable and tax assets that is expected to be recovered after 12 month is reported as non-current income tax receivable.

Deferred taxes

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-forward, 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.

Balance sheet

Tangible fixed assets

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 recognized. In case of changes in the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

From 1 January 2019, the Company accounts for leases in accordance with IFRS 16 Leases. The Company determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The lease liabilities are initially measured at the present value of the unpaid lease payments at the lease commencement date. Estimates and judgments include how the Company determined the discount rate it uses to discount the unpaid lease payments to present value, lease term and lease payments.

IFRS 16 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. For leases that do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments (including in-substance fixed payments), less any lease incentives paid or payable to the lessee, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price of the Company option to purchase the underlying asset if the Company is reasonably certain to exercise.

The ROU asset is initially measured at cost, which comprises the initial measurement of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

The Company monitors for events or changes in circumstances that require a reassessment of a lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in the income statement.

The Company has elected not to recognize ROU assets and lease liabilities for all short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

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.

Trade receivables

Receivables
Receivables from collaboration partners and other receivables are designated as receivables and are initially measured at fair value or transaction price and subsequently measured in the balance sheet at amortized cost, which generally corresponds to nominal value less expected provision for credit loss. This is consistent with prior periods classification.

Impairment

The Company has chosen IFRS 9 as interpretation for impairment write-down of financial receivables.

The Company records an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For receivables with collaboration partners and other receivables, the Company has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses. No provision for expected credit losses have been recognized given that the Company has not recognized any of credit losses over the past financial years and do not expect to incur such. As the contract assets relate to the partnerships, the credit risk is based on an individual assessment.

Other current receivables and pre-payments

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.

Trade payables and other current liabilities

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.

Lease liabilities

Lease obligations regarding right-to-use assets are recognized in the statement of financial position as liabilities and measured, at the inception of the lease, at the lower 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.

Contingent assets and liabilities

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.

Significant events after the balance sheet date

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.

Note

2 Revenue and deferred income

DKK '000	2019	2018
Recognition of upfront payments (transferred over time)	0	2.293
Milestone payments (at a point in time)	7.462	4.714
Contract work (transferred over time)	9.898	1.118
Total	**17.360**	**8.125**

3 Research and development expenses

DKK '000	2019	2018
Employee benefit expenses	49.002	31.036
External expenses	29.992	34.327
Depreciation	3.835	1.330
Total	**82.829**	**66.693**
Reimbursed expenses from collaboration partners	-2.627	-395
Net research and development expenses	**80.202**	**66.298**

4 Sales, general and administration expenses

DKK '000	2019	2018
Employee benefit expenses	11.161	8.041
External expenses	4.813	4.696
Depreciation	371	24
Total	**16.345**	**12.761**

5 Staff expenses

DKK '000	2019	2018
Wages & salaries	38.962	35.809
Bonus	15.983	0
Pension (Defined contribution)	2.863	1.047
Other social security costs	319	313
Other personnel costs	2.036	1.908
Total	**60.163**	**39.077**
Staff costs are recognized as follows:		
Research and development expenses	49.002	31.036
Sales, general and administration expenses	11.161	8.041
Total staff cost	**60.163**	**39.077**

	2019	2018
Number of employees:		
Average number of FTE	49	49
Number of FTE end of year	51	49

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 8-12 months' remuneration.

Note

6 Other operating income

DKK '000	2019	2018
Government grant	285	1.708
Total	285	1.708

7 Corporate income tax

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 January - 31 December 2019 were TDKK 135,754 (1 January - 31 December 2018: TDKK 117,631).

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

8 Tangible fixed assets

DKK '000	Other fixtures, fittings, tool and equipment	Right-of-use-assets (previous finance lease)	Leasehold improvement	Total
Cost at 1 January 2019	19.407	5.781	10.168	35.356
Change of classification	1.139	-1.139	0	0
Impact from accounting policy change (IFRS 16)	0	12.502	0	12.502
Additions	1.867	1.097	535	3.499
Disposals	0	0	0	0
Cost at 31 December 2019	**22.413**	**18.241**	**10.703**	**51.357**
Depreciation and impairment at 1 January 2019	18.638	3.576	9.380	31.594
Change of classification	1.139	-1.139	0	0
Depreciation and impairment for the year	271	3.621	314	4.206
Disposals	0	0	0	0
Depreciation and impairment at 31 December 2019	**20.048**	**6.058**	**9.694**	**35.800**
Carrying amount at 31 December 2019	**2.365**	**12.183**	**1.009**	**15.557**
Depreciation and impairment expenses are recognized as follows:				
Research and development expenses	271	3.291	273	3.835
Sales, general and administration expenses	0	330	41	371
Total depreciation and impairment expenses	**271**	**3.621**	**314**	**4.206**

Note

9 Share capital

	No. of shares	Share Capital DKK '000
Balance at 1 January 2019	16.500.000	16.500
Balance at 31 December 2019	**16.500.000**	**16.500**
Balance at 1 January 2018	16.500.000	16.500
Balance at 31 December 2018	**16.500.000**	**16.500**

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, Rønnegade 8, Copenhagen.

10 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 2019	31 December 2018
Non-current lease liabilities	8.914	1.317
Current portion of long-term lease liabilities	3.513	903
Total	**12.427**	**2.220**

Lease obligations

	31 December 2019		31 December 2018	
DKK '000	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	3.786	3.513	958	903
1-2 years	3.169	2.981	942	915
2-5 years	6.095	5.933	411	402
> 5 years	0	0	0	0
Total minimum lease payments	**13.050**	**12.427**	**2.311**	**2.220**
Less amounts representing finance charges	623	0	91	0
Total	**12.427**	**12.427**	**2.220**	**2.220**

The company has entered into rent contracts, which all can be terminated at maximum of 6 months notice. Annual rent payment of TDKK 2,887 (2018: TDKK 2,868), where TDKK 2,512 (2018: TDKK 2,495) is included in research and development expenses and TDKK 375 (2018: TDKK 373) is included in sales, general and administrative expenses. The significant increase in lease obligations relate to implementation of the accounting policy following IFRS 16.

Note

11 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.

Disputes

The Company may, from time to time and within the framework of its operations, become involved in disputes and other legal proceedings. Currently no disputes or other legal proceedings exists.

Joint taxation

Since July,16, the company is jointly taxed with other Danish subsidaries and Branches of Amgen Inc. The Company has unlimited joint and several liability for payment of Danish corporation taxes within the joint taxation.

12 Significant events after the balance sheet date

January 1, 2020 the company has received a capital contribution of TDKK 101,162 from its parent company Nuevolution AB to secure the operation for minimum the next 12 months.

13 Funding and Going Concern

As set out in note 12 the company has received capital contribution to support its operations for minimum the following 12 months, hence the financial statements are presented under the going concern assumptions.