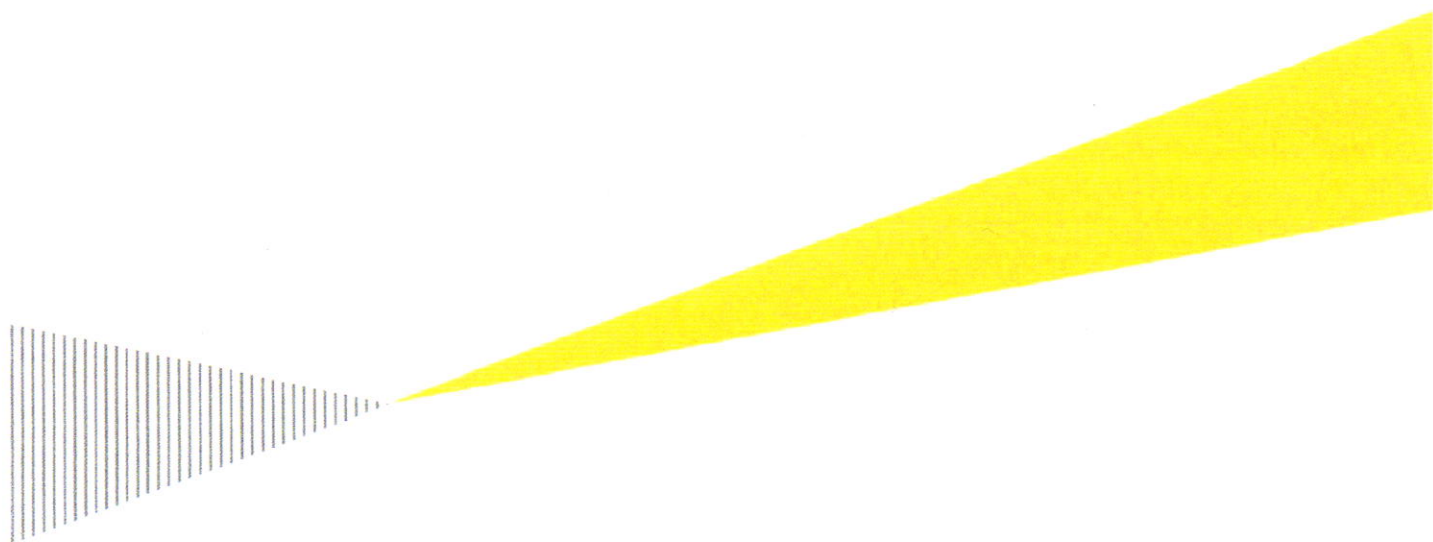


# PCOVERY ApS

Ole Maaløes Vej 3, 2200 København N

CVR no. 32 08 69 26



## Annual report 2015

Approved at the annual general meeting of shareholders on 26 May 2016

Chairman:

Handwritten signature of Casper Tind Hansen in blue ink.

Casper Tind Hansen



Building a better  
working world



## Contents

<b>Statement by the Board of Directors and the Executive Board</b>	<b>2</b>
<b>Independent auditors' report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
Company details	5
Operating review	6
<b>Financial statements for the period 1 January - 31 December</b>	<b>7</b>
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes to the financial statements	11



## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of PCOVERY ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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.

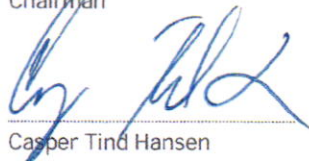
Copenhagen, 26 May 2016  
Executive Board:



Casper Tind Hansen

Board of Directors:

Klaus Christian Schollmeier  
Chairman



Casper Tind Hansen

Dr. Ilka Wicke

Emmanuelle Coutanceau

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of PCOVERY ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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, 26 May 2016  
Executive Board:

.....  
Casper Tind Hansen

Board of Directors:

  
.....  
Klaus Christian Schollmeier  
Chairman

.....  
Dr. Ilka Wicke

.....  
Emmanuelle Coutanceau

.....  
Casper Tind Hansen



### Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of PCOVERY ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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, 26 May 2016  
Executive Board:

.....  
Casper Tind Hansen

Board of Directors:

.....  
Klaus Christian Schollmeier  
Chairman

.....  
Dr. Ilka Wicke

.....  
Emmanuelle Coutanceau

.....  
Casper Tind Hansen

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of PCOVERY ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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, 26 May 2016  
Executive Board:

.....  
Casper Tind Hansen

Board of Directors:

.....  
Klaus Christian Schollmeier  
Chairman

.....  
Dr. Ilka Wicke

.....  
Emmanuelle Coutanceau



.....  
Casper Tind Hansen



## Independent auditors' report

To the shareholders of PCOVERY ApS

### Independent auditors' report on the financial statements

We have audited the financial statements of PCOVERY ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

### **Emphasis of matter regarding matters in the financial statements**

Without qualifying our opinion, we wish to draw attention to note 2 of the financial statements, which describes the uncertainty associated with the Company's ability to continue its operations. Expecting the Company to be able to cover its unfilled funding requirements, Management has presented the financial statements on a going concern assumption.

## Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 26 May 2016  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR No. 30 70 02 28

A handwritten signature in black ink, appearing to read 'C. Schwenn Johansen', written over a horizontal line.

Christian Schwenn Johansen  
state authorised public accountant





## Management's review

### Company details

Name	PCOVERY ApS
Address, Postal code, City	Ole Maaløes Vej 3, 2200 København N
CVR No.	32 08 69 26
Established	30 March 2009
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	<a href="http://www.pcovery.com">www.pcovery.com</a>
E-mail	<a href="mailto:busdev@pcovery.com">busdev@pcovery.com</a>
Telephone	+45 51 59 45 60
Board of Directors	Klaus Christian Schollmeier, Chairman Dr. Ilka Wicke Emmanuelle Coutanceau Casper Tind Hansen
Executive Board	Casper Tind Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

## Management's review

### Operating review

#### The Company's business review

The Company's main activity is research and development. The Company focuses on developing new drugs for treatment of invasive fungal infections. Pcovery aims to develop a new class of fungal therapy by targeting an essential and highly conserved component of the fungal cell membrane.

#### Unusual matters having affected the financial statements

##### *Going concern*

At 31 December 2015, the Company had a cash position of approximately DKK 8 million. In Management's assessment, the Company has sufficient funds to meet its operational requirements by the end of November 2016.

The next milestone in the Seeding Drug Discovery Award programme in November 2016 will be the source of financing allowing the Company uninterrupted operations into 2017. In parallel to this, Management has started investor talks to ensure additional funding within the next 12 months to cover the running of Pcovery for a long-term period.

If the Company is not successful in completing the above-mentioned milestone, the activities of the Company may be immediately downsized so as to allow operations to be continued until 31 December 2016.

Reference is made to note 2 for more details.

#### Financial review

The income statement for 2015 shows a loss of DKK 14,801,476 against a loss of DKK 13,498,687 last year, and the balance sheet at 31 December 2015 shows equity of DKK 2,605,756.

In 2015, the share capital was increased by nominally DKK 233,468 at a price of 4,400 totalling DKK 10,272,592.

#### Research Practice

The Company is governed by the rules of good research practice of the Novo Nordisk Foundation, which have been received in connection with a commitment to award research grants to the Company. PCOVERY has received a pre-seed grant totalling DKK 1,650,000 and is therefore governed by the rules of good research practice of the Novo Nordisk Foundation.

We confirm our compliance with these rules.

#### Post balance sheet events

In April 2016, the Company received DKK 8,375,532 from its current investors. In Management's assessment, the Company has sufficient funds to meet its operational requirements throughout 2016. The next anticipated milestone in the current financing is due in November 2016.

No further significant events have occurred subsequent to the financial year.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	2015	2014
4	Administrative expenses	-1,921,642	-1,576,999
	<b>Ordinary operating profit/loss</b>	-1,921,642	-1,576,999
	Research costs	-16,734,898	-15,682,401
	<b>Operating profit/loss</b>	-18,656,540	-17,259,400
	Financial income	0	3
5	Financial expenses	-156,050	-81,478
	<b>Profit/loss before tax</b>	-18,812,590	-17,340,875
6	Tax for the year	4,011,114	3,842,188
	<b>Profit/loss for the year</b>	<u>-14,801,476</u>	<u>-13,498,687</u>
	<b>Proposed profit appropriation/distribution of loss</b>		
	Retained earnings/accumulated loss	<u>-14,801,476</u>	<u>-13,498,687</u>
		<u>-14,801,476</u>	<u>-13,498,687</u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2015	2014
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
	<b>Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	211,894	353,659
	Leasehold improvements	154,687	200,802
		<u>366,581</u>	<u>554,461</u>
	<b>Investments</b>		
	Other receivables	111,240	80,000
		<u>111,240</u>	<u>80,000</u>
	<b>Total non-current assets</b>	<u>477,821</u>	<u>634,461</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Income taxes receivable	3,932,701	3,842,188
	Other receivables	320,398	242,405
	Prepayments	145,646	51,996
		<u>4,398,745</u>	<u>4,136,589</u>
	<b>Cash</b>	7,998,382	5,065,655
	<b>Total current assets</b>	<u>12,397,127</u>	<u>9,202,244</u>
	<b>TOTAL ASSETS</b>	<u>12,874,948</u>	<u>9,836,705</u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2015	2014
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
7	Share capital	1,377,618	1,144,150
	Retained earnings	1,228,138	5,992,110
	<b>Total equity</b>	<u>2,605,756</u>	<u>7,136,260</u>
	<b>Liabilities other than provisions</b>		
	<b>Non-current liabilities other than provisions</b>		
	Convertible debt instruments eligible for dividend	5,380,128	0
		<u>5,380,128</u>	<u>0</u>
	<b>Current liabilities other than provisions</b>		
	Convertible debt instruments eligible for dividend	2,791,844	197,128
	Trade payables	1,164,602	1,395,975
	Other payables	932,618	1,107,342
		<u>4,889,064</u>	<u>2,700,445</u>
	<b>Total liabilities other than provisions</b>	<u>10,269,192</u>	<u>2,700,445</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>12,874,948</u></u>	<u><u>9,836,705</u></u>

- 1 Accounting policies
- 2 Material uncertainties regarding going concern
- 3 Events after the balance sheet date
- 8 Collateral
- 9 Contractual obligations and contingencies, etc.

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	1,144,150	5,992,110	7,136,260
Capital increase	233,468	10,039,124	10,272,592
Expenses, capital increase	0	-1,620	-1,620
Profit/loss for the year	0	-14,801,476	-14,801,476
<b>Equity at 31 December 2015</b>	<b>1,377,618</b>	<b>1,228,138</b>	<b>2,605,756</b>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of PCOVERY ApS for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Public grants

Public grants given to cover expenses are recognised in the income statement once it is probable that all criteria for being given the grant are satisfied. Grants which must be repaid under certain circumstances are recognised only in so far as they are not expected to be repaid.

### Income statement

#### Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

#### Research costs

The item includes research costs not satisfying the criteria for capitalisation, including expenses relating to clinical trials, patent and research staff.

#### Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

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

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Tax of year includes tax credit for costs incurred in the connection with the research and development activities under the Danish Tax Credit Regime.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Other securities and investments

Deposits are measured at cost.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

##### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, with the exception of temporary differences occurring at the time of acquisition and liabilities neither affecting the result of operations nor the taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Tax credit from research and development expenditures are recognised in the balance sheet as tax receivables.

##### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

##### Convertible loans

Convertible loans are recognised as liabilities until converted at which time the liability is taken to equity at nominal value.

#### 2 Material uncertainties regarding going concern

At 31 December 2015, the Company had a cash position of approximately DKK 8 million. In Management's assessment, the Company has sufficient funds to meet its operational requirements by the end of November 2016.

The next milestone in the Seeding Drug Discovery Award programme in November 2016 will be the source of financing allowing the Company uninterrupted operations into 2017. In parallel to this, Management has started investor talks to ensure additional funding within the next 12 months to cover the running of Pcovery for a long-term period.

If the Company is not successful in completing the above-mentioned milestone, the activities of the Company may be immediately downsized so as to allow operations to be continued until 31 December 2016.

#### 3 Events after the balance sheet date

In April 2016, the Company received DKK 8,375,532 from its investors.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2015	2014
<b>4 Staff costs</b>		
Wages/salaries	5,854,798	5,261,253
Pensions	202,203	111,882
Other social security costs	23,209	26,780
Other staff costs	154,195	169,199
	<u>6,234,405</u>	<u>5,569,114</u>
<b>5 Financial expenses</b>		
Interest expenses, associates	138,064	3,331
Other interest expenses	121	0
Exchange losses	17,865	78,147
	<u>156,050</u>	<u>81,478</u>
<b>6 Tax for the year</b>		
Estimated tax charge for the year	-3,932,701	-3,842,188
Tax adjustments, prior years	-78,413	0
	<u>-4,011,114</u>	<u>-3,842,188</u>
<b>7 Share capital</b>		
The share capital consists of the following:		
125,000 A- shares of DKK 1.00 each	125,000	125,000
463,512 B- shares of DKK 1.00 each	463,512	463,512
789,106 C- shares of DKK 1.00 each	789,106	555,638
	<u>1,377,618</u>	<u>1,144,150</u>

Class B and C-shares carry special rights by way of preferential rights in case of distribution of dividends, etc.

The shareholders of the Company have pre-emptive subscription rights within their respective share classes. However, in the case of issue of warrants where there are no pre-emptive subscription rights as subscription rights in connection with Anti-Silution Protection are solely available to C-shareholders.

Until 31 December 2011, the Board was, without pre-emption rights for existing shareholders, authorised to grant up to 80,000 warrants giving the warrant holder right to subscribe class A-shares at an accumulated par value of DKK 80,000 (DKK 1 per share).

On 6 April 2011, the Board allotted 14,000 warrants to Management and external consultants each of which warrant entitles the holder to subscribe one class A-share in the Company against cash payment of DKK 40,000 per class A-share. On 14 December 2011, the Board allotted 37,500 warrants each of which warrant entitles the holder to subscribe one class A-share in the Company against cash payment of DKK 40,000 per class A-share.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

The Board is until 30 June 2017 authorised in one or more turns to decide issuing of warrants for subscription of A-shares at an amount of nominally up to DKK 98,500, however, limited to 10% of the share capital of the Company and decide to the required capital increase. The warrants can be issued without pre-emptive rights for existing shareholders. The warrants can be issued at a rate below the market rate though not below par value.

Until 31 December 2015, the Board is authorised in one or more turns to increase the share capital by nominally DKK 325,985 class C-shares at a price of DKK 4,400 (DKK 44.00 per class C-share) per class C-share against cash payment. The capital increase shall be subscribed by Novo A/S and Boehringer Ingelheim Venture Fond GmbH. Upon the exercise of the authorisation, the shareholders shall have no pre-emptive rights.

On 27 May 2014, the Board has increased the C-share capital of the Company by 41,174 C-shares subscribed at a quotation price of DKK 44 per C-share equally by Novo A/S and Boehringer Ingelheim Venture Fund GmbH having each subscribed 20,587 C-shares. On 26 September 2014, the Board has increased the C-share capital of the Company by 41,174 C-shares subscribed at a quotation price of DKK 44 per C-share equally by Novo A/S and Boehringer Ingelheim Venture Fund GmbH having each subscribed 20,587 C-shares. On 7 April 2015, the Board increased the C-share capital of the Company by 116,734 C-shares subscribed at a quotation price of DKK 44 C-share equally by Novo A/S and Boehringer Ingelheim Venture Fund GmbH having each subscribed 58,367 C-shares. Hereinafter, the remaining Board authorisation comprises nominally 126,902 C-shares.

Until 31 December 2015, the Board is authorised in one or more turns to increase the share capital by nominally DKK 325,985 class C-shares at a price of DKK 4,400 (DKK 44.00 pr. class C-share) per class C-share against cash payment. The capital increase shall be subscribed by the Wellcome Trust Limited by conversion of loan. Upon the exercise of the authorisation, the shareholders shall have no pre-emptive rights.

On 27 May 2014, the Board has increased the C-share capital of the Company by 41,887 C-shares subscribed at a quotation price of DKK 44 per C-share by the Wellcome Trust Limited as trustee of the Wellcome Trust. On 26 September 2014, the Board has increased the C-share capital of the Company by 41,174 C-shares subscribed at a quotation price of DKK 44 per C-share by the Wellcome Trust Limited as trustee of the Wellcome Trust. On 7 April 2015, the Board has increased the C-share capital of the Company by 116,734 C-shares subscribed / debt converted at a quotation price of DKK 44 per C-shares subscribed by the Wellcome Trust limited. Hereinafter, the remaining Board authorisation comprises nominally 126,188 C-shares.

Any class C-share may, at the request of its holder, at any time be converted into an class A-share (conversion rate 1:1), and any class B-share may, at the request of its holder, at any time be converted into an class A-share (conversion rate 1:1).

Analysis of changes in the share capital over the past 5 years:

DKK	2015	2014	2013	2012	2011
Opening balance	1,144,150	978,740	523,864	237,500	125,000
Capital increase	233,468	165,410	286,364	286,364	112,500
	1,377,618	1,144,150	810,228	523,864	237,500

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

In connection with the formation / capital increase, the Company incurred expenses totalling DKK 1,620.

Reference is made to note 2 regarding post balance sheet capital increases.

#### 8 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2015.

#### 9 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

DKK	2015	2014
Other contingent liabilities	444,000	444,000
	<u>444,000</u>	<u>444,000</u>

Other contingent liabilities include the Company's received payroll contributions in connection with research. Upon commercial utilisation of the research results, a repayment obligation of maximum DKK 444,000 arises.

For a part of 2013, the Company was jointly taxed with its parent, Novo A/S, which acts as management company, and has limited and alternative liability together with other jointly-taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

##### Other financial obligations

Other rent and lease liabilities:

DKK	2015	2014
Rent and lease liabilities	134,194	114,344
	<u>134,194</u>	<u>114,344</u>