PCOVERY ApS under frivillig likvidation

c/o Jusmedico Advokatanpartsselskab, Kongevejen 371, 2840 Holte

CVR no. 32 08 69 26

Annual report 2017

Approved at the Company's annual general meeting on 31 May 2018

Chairman:

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Jan Bjerrum Bach

Jan Bjerrum Bach
Attorney-at-Law / Advokat (L)

Building a better working world

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Statement by the liquidator

Today, I have discussed and approved the annual report of PCOVERY ApS under frivillig likvidation for the financial year 1 January - 31 December 2017.

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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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, 31 May 2018
Liquidator:

Jan Bjerrum Bach
Attorney-at-Law / Advokat (L)

Jan Bjerrum Bach

Independent auditor's report

To the liquidator of PCOVERY ApS under frivillig likvidation

Opinion

We have audited the financial statements of PCOVERY ApS under frivillig likvidation for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Liquidator's responsibilities for the financial statements

Liquidator 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 Liquidator 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 liquidator 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 the 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 the 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.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by liquidator.
- Conclude on the appropriateness of liquidator'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 liquidator 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

The liquidator 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
MNE no.: mne33234

Management's review

Company details

Name	PCOVERY ApS under frivillig likvidation
Address, Postal code, City	c/o Jusmedico Advokatanpartsselskab, Kongevejen 371, 2840 Holte
CVR no.	32 08 69 26
Established	30 March 2009
Registered office	Rudersdal
Financial year	1 January - 31 December
Website	www.pcovery.com
E-mail	jbb@jusmedico.com
Telephone	+45 40 29 41 24
Liquidator	Jan Bjerrum Bach
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Business review

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

At the ordinary general meeting on 31 May 2017, it was decided to dissolve the Company under the rules of solvent liquidation of the Danish Companies Act. The Company remains under liquidation and there has been limited activity during the current year.

During 2017, Liquidator has focused on winding up the Company, i.e. to advertise for creditors, settle all liquidator approved claims and to sell off the Company's IP portfolio. For cost saving reasons and as per shareholder instructions, only limited resources have been allocated to identify potential buyers, considering the very early stage of the research conducted and that the project has been given up upon. As a result, only one bid was received and eventually accepted. Liquidator expects that the Company can be finally liquidated in 2018 as the only outstanding formality is for the Danish IRS to confirm that no taxes are due.

Unusual matters having affected the financial statements

Going concern

The Company's 2017 operations until liquidation has been financed through cash and cash equivalents and tax credits arising from research and development activities conducted during 2016.

The Company has a convertible loan at one of the shareholders. The Company does not have sufficient cash to repay the loan in full. According to funding agreement, the shareholder may not require the Company to repay the remaining loan and accrued interest if, as a result of such repayment, the Company is reasonable likely to become insolvent.

On this basis, the Liquidator assesses that the Company has sufficient funds to meet operational requirements through 2018.

Reference is made to note 2 for more details.

Financial review

In 2017, the Company's revenue came in at DKK 0 against DKK 79,252 in 2016 as activities have been terminated. The income statement for 2017 shows a loss of DKK 5,670,811 against DKK 12,911,665 last year, and the balance sheet at 31 December 2017 shows negative equity of DKK 4,943,630

The Company has lost more than 50% of the share capital and is therefore subject to section 119 of the Danish Companies Act. Reference is made to the section on going concern for description of Liquidator's plan for the future.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Revenue	0	79,252
	Gross margin	0	79,252
3	Administrative expenses	-1,605,609	-2,078,228
	Operating profit/loss	-1,605,609	-1,998,976
	Other operating expenses	-25,442	0
3	Research costs	-4,091,328	-15,447,311
	Profit/loss before net financials	-5,722,379	-17,446,287
4	Financial income	211,150	1,357,851
5	Financial expenses	-159,582	-213,360
	Profit/loss before tax	-5,670,811	-16,301,796
6	Tax for the year	0	3,390,131
	Profit/loss for the year	-5,670,811	-12,911,665

	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-5,670,811	-12,911,665
		-5,670,811	-12,911,665

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
7	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	0	88,634
	Leasehold improvements	0	108,572
		0	197,206
	Total fixed assets	0	197,206
	Non-fixed assets		
	Receivables		
	Income taxes receivable	0	3,390,457
	Other receivables	1,597,367	330,068
		1,597,367	3,720,525
	Cash	0	4,553,496
	Total non-fixed assets	1,597,367	8,274,021
	TOTAL ASSETS	1,597,367	8,471,227

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	1,630,708	1,630,708
	Retained earnings	-6,574,338	-903,527
	Total equity	-4,943,630	727,181
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Convertible debt instruments eligible for dividend	6,205,159	6,278,951
	Trade payables	110,019	642,780
	Other payables	225,819	822,315
		6,540,997	7,744,046
	Total liabilities other than provisions	6,540,997	7,744,046
	TOTAL EQUITY AND LIABILITIES	1,597,367	8,471,227

1 Accounting policies
2 Going concern uncertainties
9 Contractual obligations and contingencies, etc.
10 Collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2017	1,630,708	-903,527	727,181
Transfer through appropriation of loss	0	-5,670,811	-5,670,811
Equity at 31 December 2017	1,630,708	-6,574,338	-4,943,630

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of PCOVERY ApS under frivillig likvidation for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Public grants

Public grants, such as PhD grants, to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only when they are not expected to be repaid.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Administrative expenses

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Research costs

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

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Depreciation and impairment

The item comprises 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 of the assets are as follows:

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

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 for the year includes tax credit for costs incurred in connection with 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.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

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

Deposits are measured at cost. Where the net realisable value is lower than cost, deposits are written down to this lower value.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and 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 occuring at the time of acquisition and liabilities neither affecting the resultat 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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Tax credit from research and development expenditures is 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Convertible loans

Convertible loans are broken down into a liability element and an equity element based on the relevant instrument of debt. On initial recognition, the liability is recognised at the fair value of a similar liability without a conversion right. The remaining amount of the convertible loan is recognised as equity. On subsequent recognition, the liability is measured at amortised cost until converted or repaid. The equity element is not re-measured after initial recognition.

2 Going concern uncertainties

The Company's 2017 operations until liquidation were financed through cash and cash equivalents and tax credits arising from research and development activities conducted during 2016.

The Company has a convertible loan at one of the shareholders. The Company does not have sufficient cash to repay the loan in full. According to funding agreement, the shareholder may not require the Company to repay the remaining loan and accrued interest if, as a result of such repayment, the Company is reasonable likely to become insolvent.

On this basis, the Liquidator assesses that the Company has sufficient funds to meet operational requirements through 2018.

	DKK	2017	2016
3	**Staff costs**		
	Average number of full-time employees	3	8

	DKK	2017	2016
4	**Financial income**		
	Exchange gain on convertible debt instrument	211,150	1,357,851
		211,150	1,357,851
5	**Financial expenses**		
	Interest expenses, associates	137,358	46,620
	Other interest expenses	2,177	1,871
	Exchange losses	20,047	164,869
		159,582	213,360
6	**Tax for the year**		
	Estimated tax charge for the year	0	-3,390,457
	Tax adjustments, prior years	0	326
		0	-3,390,131

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	871,785	230,575	1,102,360
Disposals in the year	-871,785	-230,575	-1,102,360
Cost at 31 December 2017	0	0	0
Impairment losses and depreciation at 1 January 2017	783,151	122,003	905,154
Amortisation/depreciation in the year	10,963	11,529	22,492
Amortisation/depreciation and impairment of disposals in the year	-794,114	-133,532	-927,646
Impairment losses and depreciation at 31 December 2017	0	0	0
Carrying amount at 31 December 2017	0	0	0

8 Share capital

Analysis of the share capital:

125,000 A- shares of DKK 1.00 nominal value each	125,000	125,000
463,512 B- shares of DKK 1.00 nominal value each	463,512	463,512
1,042,196 C- shares of DKK 1.00 nominal value each	1,042,196	1,042,196
	1,630,708	1,630,708

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 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 Welcome Trust Limited as trustee of the Welcome 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 Welcome Trust Limited as trustee of the Welcome 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	2017	2016	2015	2014	2013
Opening balance	1,630,708	1,377,618	1,144,150	978,740	523,864
Capital increase	0	253,090	233,468	165,410	454,876
	1,630,708	1,630,708	1,377,618	1,144,150	978,740

Financial statements 1 January - 31 December

Notes to the financial statements

9 Contractual obligations and contingencies, etc.

Contingent liabilities

Other contingent liabilities included 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. Due to the liquidation there will be no commercial utilisation of the research results.
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

The Company has terminated its lease at the end of December 2016.

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.