

# OncoNOx ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 33 85 89 65

## Annual report 2017

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

Chairman:

  
.....  
Maj-Britt Zocca





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

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of OncoNOx ApS 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  
Executive Board:




.....  
Mai-Britt Zocca

Board of Directors:

.....  
Vacant  
Chairman



.....  
Mai-Britt Zocca



.....  
Fernando Nicoletti



## Independent auditor's report

To the shareholders of OncoNOx ApS

### Opinion

We have audited the financial statements of OncoNOx ApS 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.

### Emphasis of matter in the financial statements

We draw attention to the fact that the value of other securities and investments with a carrying value of DKK 971 thousand is associated with significant valuation uncertainty. We refer to note 2 in the financial statements, which describes the uncertainty in respect of valuation of other securities and investments and the assumptions applied by Management for impairment testing purposes. We have not modified our opinion in respect of this matter.

We have not modified our opinion in respect of this matter.

### 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 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:

## Independent auditor's report

- ▶ 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 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	OncoNOx ApS
Address, Postal code, City	Ole Maaløes Vej 3, 2200 Copenhagen N
CVR no.	33 85 89 65
Established	4 April 2011
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	<a href="http://www.onconox.com">www.onconox.com</a>
E-mail	<a href="mailto:MBZ@OncoNOx.com">MBZ@OncoNOx.com</a>
Telephone	+45 21 94 78 56
Board of Directors	Vacant, Chairman Mai-Britt Zocca Fernando Nicoletti
Executive Board	Mai-Britt Zocca
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank



## Management's review

### Business review

OncoNOx is a biotechnology company focused on the development through agreements of innovative treatments by transforming already marketed drugs into novel, proprietary molecules with an improved therapeutic profile.

OncoNOx was founded in 2011 by a highly experienced group of scientists and biotech executives and has strong ties to research groups in Italy, the US, and Serbia.

The Company has been without research activities since end of 2012.

### Recognition and measurement uncertainties

In connection with the preparation of the financial statements for the Company, Management has performed a review of indicators of impairment concerning the Company's other securities and investments and has performed an impairment test for investment as applicable.

Management has applied a risk-adjusted discounted cash flow model (risk-adjusted NPV, rNPV) to estimate the recoverable amount of the investment in an unlisted biotech company. The rNPV has been based on the key product in the pipeline of the unlisted biotech company. Key assumptions applied by Management relate to probability of clinical progress from pre-clinical stage to commercialisation, timing and extent of sales penetration, royalty rates and discount rate. In addition, Management has as a key assumption assumed that the unlisted biotech company will be able to attract further funding to progress the lead programme and/or enter into a strategic collaboration with a biopharmaceutical company in regards to the lead programme.

Management has applied a Weighted Average Cost of Capital (WACC) of approximately 20 % after tax. Success rates for clinical programmes (pre-clinical stage to market approval) in the relevant therapeutic area have formed the basis for the risk-adjustment.

The total discounted, risk-adjusted cash flows (rNPV) of the key product in pipeline of the unlisted biotech company as at 31 December 2017 exceed the carrying amount of other securities and investments. On this basis, Management has concluded that there is no need for an impairment of the Company's other securities and investments.

The impairment tests include certain key assumptions that are encumbered with uncertainty. Consequently, the valuation of the Company's other securities and investments is subject to significant valuation uncertainties.

Reference is made to note 2 for more details.

### Financial review

The income statement for 2017 shows a profit of DKK 393,163 against a loss of DKK 14,568 last year, and the balance sheet at 31 December 2017 shows equity of DKK 1,058,660. Management considers the Company's financial performance in the year satisfactory.

In March 2016, the Company signed a licence agreement with an unlisted biotech company regarding certain IP rights. The first payment is expected in 2018.

### 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
	Gross margin	547,382	0
3	Administrative expenses	-34,058	-37,248
	Operating profit/loss	513,324	-37,248
	Financial expenses	-7,603	-3,814
	Profit/loss before tax	505,721	-41,062
4	Tax for the year	-112,558	26,494
	Profit/loss for the year	393,163	-14,568
	Recommended appropriation of profit/loss		
	Extraordinary dividend distributed in the year	330,000	0
	Retained earnings/accumulated loss	63,163	-14,568
		393,163	-14,568





## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	<u>2017</u>	<u>2016</u>
	<b>ASSETS</b>		
	Fixed assets		
5	Investments		
	Other securities and investments	970,657	970,657
		<u>970,657</u>	<u>970,657</u>
	<b>Total fixed assets</b>	<u>970,657</u>	<u>970,657</u>
	<b>Non-fixed assets</b>		
	Receivables		
	Deferred tax assets	0	26,494
	Other receivables	2,532	465
		<u>2,532</u>	<u>26,959</u>
	<b>Cash</b>	<u>194,836</u>	<u>17,041</u>
	<b>Total non-fixed assets</b>	<u>197,368</u>	<u>44,000</u>
	<b>TOTAL ASSETS</b>	<u>1,168,025</u>	<u>1,014,657</u>



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
6	Share capital	98,300	98,300
	Retained earnings	960,360	897,197
	<b>Total equity</b>	<b>1,058,660</b>	<b>995,497</b>
	<b>Liabilities other than provisions</b>		
	<b>Current liabilities other than provisions</b>		
	Income taxes payable	88,731	0
	Payables to shareholders and management	9,135	9,135
	Other payables	11,499	10,025
		109,365	19,160
	<b>Total liabilities other than provisions</b>	<b>109,365</b>	<b>19,160</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,168,025</b>	<b>1,014,657</b>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 7 Collateral



## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2017	98,300	897,197	995,497
Transfer through appropriation of profit	0	393,163	393,163
Extraordinary dividend distributed	0	-330,000	-330,000
Equity at 31 December 2017	98,300	960,360	1,058,660



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of OncoNOx ApS 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.

#### Reporting currency

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

#### Income statement

##### Revenue

Revenue consists of milestone payments from research, development and licence and collaboration agreements. Revenue from research, development and licence and collaboration agreements are recognised in the income statement if the general recognition criteria are met, including that the service concerned has been provided before period-end, that the amount can be made up reliable and that the payment can be expected to be received.

Non-refundable milestone payments are recognised as revenue at the date of assignment of rights if such payments relate to a sale of immaterial rights or if such payments are not related to OncoNOx' future performance obligations.

Payments that are attributable and subject to subsequent research and/or development activities are recognised as deferred revenue and will subsequently be recognised as revenue over the expected contract period.

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.

##### Gross margin

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

##### 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 and office premises.

##### Research and development costs

Research costs comprise salaries, patent costs and clinical trials costs.

The Company recognises all research costs in the income statement for the year in which they are incurred.

##### Financial expenses

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



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### Balance sheet

##### Other securities and investments

Other securities and investments comprise unlisted shares. The shares are measured cost.

##### Impairment of fixed assets

Other securities and investments are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

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).

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, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

##### Cash

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



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### 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.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results 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.

##### Other payables

Other payables are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Recognition and measurement uncertainties

In connection with the preparation of the financial statements for the Company, Management has performed a review of indicators of impairment concerning other securities and investments and has performed an impairment test for investment as applicable.

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The total discounted, risk-adjusted cash flows (rNPV) of the key product in pipeline of the unlisted biotech company at 31 December 2017 exceeds the carrying amount of other securities and investments. On this basis, Management has concluded that there is no need for an impairment of other securities and investments.

The impairment tests include certain key assumptions that are encumbered with uncertainty. Consequently, the valuation of other securities and investments is subject to significant valuation uncertainties.

#### 3 Staff costs

The Company has no employees.

	2017	2016
DKK		
4 Tax for the year		
Estimated tax charge for the year	86,064	0
Deferred tax adjustments in the year	26,494	-26,494
	<u>112,558</u>	<u>-26,494</u>

#### 5 Investments

DKK	Other securities and investments
Cost at 1 January 2017	<u>970,657</u>
Cost at 31 December 2017	<u>970,657</u>
Carrying amount at 31 December 2017	<u>970,657</u>

Reference is made note note 2.



## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK	<u>2017</u>	<u>2016</u>
<b>6 Share capital</b>		
Analysis of the share capital:		
80,000 A- shares of DKK 1.00 nominal value each	80,000	80,000
18,300 B- shares of DKK 1.00 nominal value each	<u>18,300</u>	<u>18,300</u>
	<u>98,300</u>	<u>98,300</u>

The Company's share capital has remained DKK 98,300 over the past 5 years.

### 7 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2017.