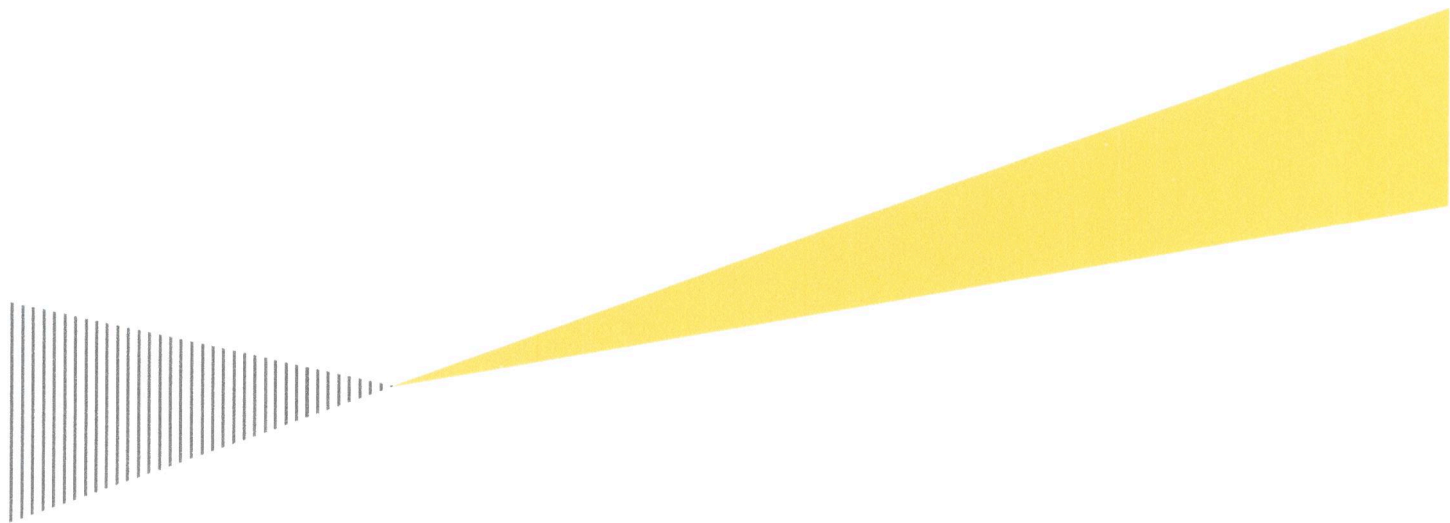


# OncoNOx ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 33 85 89 65



## Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:



Building a better  
working world



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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 2016.

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

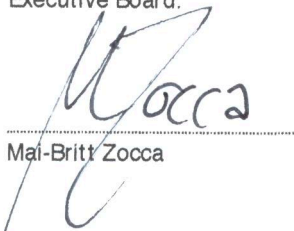
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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 2017

Executive Board:



Mai-Britt Zocca

Board of Directors:

Gianni Garotta  
Chairman



Mai-Britt Zocca

Fernando Nicoletti



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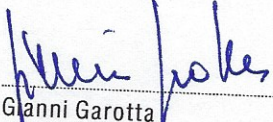
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Copenhagen, 31 May 2017  
Executive Board:

.....  
Mai-Britt Zocca

Board of Directors:

  
.....  
Gianni Garotta  
Chairman

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Mai-Britt Zocca

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Fernando Nicoletti

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Executive Board:

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Mai-Britt Zocca

Board of Directors:

.....  
Gianni Garotta  
Chairman

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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 2016, which comprise an 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 about 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 skepticism throughout the audit. We also:

- u 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.
- u 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.
- u Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

### Independent auditor's report

- ▶ 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 conclusion is 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 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 our procedures, 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 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Christian Schwenn Johansen  
State Authorised Public Accountant



## 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	Gianni Garotta, Chairman Mai-Britt Zocca Fernando Nicoletti
Executive Board	Mai-Britt Zocca
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank



## Management's review

### Management commentary

#### 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.

#### Financial review

The income statement for 2016 shows a loss of DKK 14,568 against a profit of DKK 1,450,157 last year, and the balance sheet at 31 December 2016 shows equity of DKK 995,496. 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

In February 2017, a Second Amendment Agreement to a R&D Alliance agreement was signed. The Company received USD 80,000 in March 2017.

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

Reference is made to note 2 for more details.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	0	1,683,478
3	Administrative expenses	-37,248	-147,327
	Operating profit/loss	-37,248	1,536,151
	Research costs	0	-68,808
	Profit/loss before net financials	-37,248	1,467,343
	Financial expenses	-3,814	-17,186
	Profit/loss before tax	-41,062	1,450,157
4	Tax for the year	26,494	0
	Profit/loss for the year	-14,568	1,450,157
	Recommended appropriation of profit/loss		
	Extraordinary dividend distributed in the year	0	440,000
	Retained earnings/accumulated loss	-14,568	1,010,157
		-14,568	1,450,157

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	ASSETS		
	Fixed assets		
5	Investments		
	Other securities and investments	970,657	970,657
		<u>970,657</u>	<u>970,657</u>
	Total fixed assets	<u>970,657</u>	<u>970,657</u>
	Non-fixed assets		
	Receivables		
	Deferred tax assets	26,494	0
	Other receivables	465	12,529
		<u>26,959</u>	<u>12,529</u>
	Cash	<u>17,041</u>	<u>56,439</u>
	Total non-fixed assets	<u>44,000</u>	<u>68,968</u>
	TOTAL ASSETS	<u><u>1,014,657</u></u>	<u><u>1,039,625</u></u>

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

### Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	98,300	98,300
	Retained earnings	<u>897,196</u>	<u>911,764</u>
	Total equity	<u>995,496</u>	<u>1,010,064</u>
	Liabilities		
	Current liabilities		
	Trade payables	0	1,375
	Payables to shareholders and management	9,135	18,186
	Other payables	<u>10,026</u>	<u>10,000</u>
		<u>19,161</u>	<u>29,561</u>
	Total liabilities other than provisions	<u>19,161</u>	<u>29,561</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>1,014,657</u></u>	<u><u>1,039,625</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 7 Collateral

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

## Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	98,300	911,764	1,010,064
Transfer through appropriation of loss	0	-14,568	-14,568
Equity at 31 December 2016	<u>98,300</u>	<u>897,196</u>	<u>995,496</u>

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

### Notes to the financial statements

#### 1 Accounting policies

The annual report of OncoNOx ApS for 2016 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.

#### Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

#### 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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Research 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.

##### 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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### 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.

#### 2 Events after the balance sheet date

In February 2017, the Company signed a Second Amendment Agreement to the R&D Alliance agreement. The Company received USD 80,000 in March 2017.



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

### Notes to the financial statements

#### 3 Staff costs

The Company has no employees.

DKK	2016	2015
4 Tax for the year		
Deferred tax adjustments in the year	-26,494	0
	<u>-26,494</u>	<u>0</u>

#### 5 Investments

DKK	Other securities and investments
Cost at 1 January 2016	<u>970,657</u>
Cost at 31 December 2016	<u>970,657</u>
Carrying amount at 31 December 2016	<u>970,657</u>

Management has at 31 December 2016 considered whether there are any indications that the investment in an unlisted biotech company has been impaired. Management has considered relevant facts and circumstances, including valuation applied in connection with the most recent capital increase in the Company invested in, developments in the research activities in the Company invested in and other relevant facts.

On this basis, Management assesses that the net realisable value of the investment in the unlisted biotech company exceeds the carrying value. Accordingly, the Company has not recognised any impairment of the investment. It should be noted that Management has exercised significant judgement while concluding on this matter.

DKK	2016	2015
6 Share capital		
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	18,300	18,300
	<u>98,300</u>	<u>98,300</u>

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

DKK	2016	2015	2014	2013	2012
Opening balance	98,300	98,300	98,300	98,300	80,000
Capital increase	0	0	0	0	18,300
	<u>98,300</u>	<u>98,300</u>	<u>98,300</u>	<u>98,300</u>	<u>98,300</u>

#### 7 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2016.