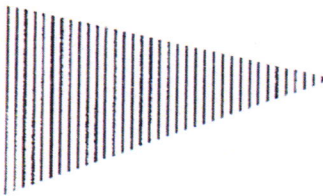


Adenium Biotech ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 33 88 27 85



Annual report 2016

Approved at the annual general meeting of shareholders on 23/5 - 17

Chairman:

EY

Building a better
working world



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Management commentary	6
Financial statements 1 January - 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

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 Adenium Biotech ApS for the financial year 1 January - 31 December 2016.

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

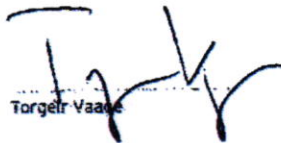
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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

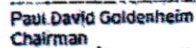
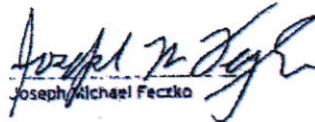
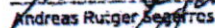
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 23 May 2017

Executive Board:


Paul David Goldenheim
Torger Vaase

Board of Directors:


Paul David Goldenheim
Chairman
John Howard Rex
Joseph Michael Feczko
Andreas Ruzger Segert
Stephen Christgau

Independent auditor's report

To the shareholders of Adenium Biotech ApS

Opinion

We have audited the financial statements of Adenium Biotech 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.

Material uncertainty related to going concern

We wish to draw attention to the fact that the Company's ability to continue as a going concern is associated with considerable uncertainty. We refer to note 2 in the financial statements, which reflects uncertainty regarding the financing of the Company's R&D operations and the necessary investments in the coming years. However, as Management believes that such unfilled funding requirements will be covered, the financial statements have been prepared on a going concern basis. 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 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:

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 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.

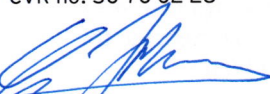
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially 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, 23 May 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian S. Johansen
State Authorised Public Accountant



Management's review

Company details

Name	Adenium Biotech ApS
Address, Postal code, City	Ole Maaløes Vej 3, 2200 Copenhagen N
CVR no.	33 88 27 85
Established	2 September 2011
Financial year	1 January - 31 December
Website	www.adeniumbiotech.com
Board of Directors	Paul David Goldenheim, Chairman John Howard Rex Joseph Michael Feczko Andreas Rutger Segerros Stephen Christgau
Executive Board	Paul David Goldenheim Torgeir Vaage
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

Supported by Novo A/S' seed financing program, Novo Seeds, Adenium Biotech ApS (Adenium) was founded on 2 September 2011, based on Novozymes A/S' (Novozymes) Arenicin program. In August 2013, Adenium received additional funding from Sunstone Capital and Novo Seed. Arenicin is an antimicrobial peptide identified by Novozymes through screening of lugworms. Arenicin shows strong efficacy against Gram negative bacteria. The wild type shows efficacy against a broad range of Gram negative bacteria causing various infections. Novozymes has successfully identified and synthesised a number of Arenicin variants with improved biological properties. Studies have shown efficacy against multiresistant E. Coli, Pseudomonas, Klebsiella and Acinetobacter. In vivo efficacy in both pneumonia and urinary tract infection in animal models has been demonstrated. In October 2013, Adenium selected AA139, the most efficacious Arenicin variant, as clinical product candidate.

In addition, in November 2013, Adenium acquired the rights to Plectasin, another antimicrobial peptide with selective activity against Gram positive bacteria, from Novozymes. At present, no work on the Plectasin derivatives is ongoing.

Adenium is participating as consortium member in two EU FP7 research programs: PneumoNP (start: January 2014) and FormAMP (Start: December 2013). In 2015, the Company has calculated a combined grant income for the two projects of EUR 139,238 based on Adenium's project-related costs during the year.

Adenium resides in COBIS, the science park, at 3, Ole Maaløes Vej in Copenhagen. As of 31 December 2016, the organisation consisted of Paul Goldenheim (CEO), Edward Fang, Magnus Strandh, Kaela Porter, Dorrit Andersen, Kim Ry Hejnaes, and Torgeir Vaage.

Unusual matters having affected the financial statements

Going concern

At 31 December 2016, the Company had a cash position of approximately DKK 15.7m. However, if the cystic fibrosis program proceeds in full (see below), the cash burn for 2017 is expected to be higher than the cash in hand end of year.

During 2016, the Company has conducted a number of preclinical evaluations of AA-139 focusing on the development of an intravenous administration form for the treatment of complicated urinary tract infections in preparation for filing a Clinical Trial Application. In parallel, AA-139 was evaluated for the potential use as an aerosol administration for the treatment of cystic fibrosis.

Based on the results from these evaluations, the Company decided in December 2016 to discontinue further development of the intravenous administration of AA-139 and to refocus on the development of the aerosol administration for the treatment of cystic fibrosis.

The refocused development program will require additional funding in order to complete the regulatory requirements for a clinical trial application and for the conduct of a clinical Phase 1a/b program. The Company is currently in discussions with its existing and new investors to secure the required funding.

If, contrary to Management's expectations, the Company is not successful in completing the above mentioned financing, the activities of the Company may be immediately downsized so as to allow operations to be continued until 31 December 2017.

The Company's activity plan for 2017 has changed materially due to development results that Adenium received in December and January as well as the cash position. As a result, all major development activities have been put on hold, while the Company focuses on raising financing for a revised development plan. Consequently, the 2017 budget that was approved by the Board in November has been suspended.

Based on our current liquidity position, existing supplier liabilities and our running cost rate, the Company has sufficient liquidity (including access to funds such as the tax credit for 2016) to fund the Company through 2017. Furthermore, the Company has flexibility on its cost base to cover its liabilities into 1Q 2018 if the Company is unable to raise additional capital over the next 3-5 months.



Management's review

Management commentary

Consequently, it is the Management's conclusion that the requirements for the going concern assumption are satisfied.

Financial review

The income statement for 2016 shows a loss of DKK 15,473,935 against DKK -23,602,763 last year, and the balance sheet at 31 December 2016 shows a negative equity of DKK 39,375,407.

Events after the balance sheet date

No material events have taken place after the balance sheet date which could significantly affect the Company's financial position.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
9	Administrative expenses	-2,173,324	-843,915
	Operating profit/loss	-2,173,324	-843,915
3	Other operating income	1,653,558	1,036,190
	Research and development costs	-14,310,785	-27,995,311
	Profit/loss before net financials	-14,830,551	-27,803,036
	Financial income	4,639	3,116
4	Financial expenses	-3,664,990	-1,677,843
	Profit/loss before tax	-18,490,902	-29,477,763
5	Tax for the year	3,016,967	5,875,000
	Profit/loss for the year	<u>-15,473,935</u>	<u>-23,602,763</u>
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	<u>-15,473,935</u>	<u>-23,602,763</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Non-current assets		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	54,600	72,800
		<u>54,600</u>	<u>72,800</u>
	Financial assets		
	Other receivables	24,039	23,453
		<u>24,039</u>	<u>23,453</u>
	Total non-current assets	<u>78,639</u>	<u>96,253</u>
	Current assets		
	Receivables		
	Income taxes receivable	3,016,967	5,875,000
	Other receivables	318,187	2,501,568
	Prepayments	15,335	42,039
		<u>3,350,489</u>	<u>8,418,607</u>
	Cash	15,715,267	10,682,730
	Total Current assets	<u>19,065,756</u>	<u>19,101,337</u>
	TOTAL ASSETS	<u>19,144,395</u>	<u>19,197,590</u>
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	1,436,800	1,436,800
	Retained earnings /Accumulated loss	-40,812,207	-25,338,272
	Total equity	<u>-39,375,407</u>	<u>-23,901,472</u>
	Non-current liabilities		
	Other provisions	297,376	0
8	Convertible debt instruments eligible for dividend	55,352,539	37,711,334
	Total non-current liabilities	<u>55,649,915</u>	<u>37,711,334</u>
	Current liabilities		
	Other credit institutions	22,378	28,646
	Trade payables	1,976,305	3,651,452
	Other payables	163,025	84,754
	Deferred income	708,179	1,622,876
	Total current liabilities	<u>2,869,887</u>	<u>5,387,728</u>
	Total liabilities	<u>58,519,802</u>	<u>43,099,062</u>
	TOTAL EQUITY AND LIABILITIES	<u>19,144,395</u>	<u>19,197,590</u>

- 1 Accounting policies
- 2 Material uncertainty related to going concern
- 10 Contractual obligations and contingencies, etc.

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings /Accumulated loss	Total
Equity at 1 January 2016	1,436,800	-25,338,272	-23,901,472
Transfer through appropriation of loss	0	-15,473,935	-15,473,935
Equity at 31 December 2016	<u>1,436,800</u>	<u>-40,812,207</u>	<u>-39,375,407</u>

With reference to section 119 of the Danish Financial Statements Act, the Company has lost more than 50% of its share capital and has negative equity at 31 December 2016.

Management expects to reestablish a positive equity through shareholder loans which will be converted to equity at a later stage.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Adenium Biotech 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).

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".

Income statement

Other operating income

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

Other operating income comprises research grants received from EU.

Government grants are recognised at the time when a final and firm right to the grant has been obtained and to the extent that the entity has obtained reasonable assurance to comply with the conditions attaching to them and the grants will be received.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 costs and research staff.

Depreciation

The item comprises depreciation of property, plant and equipment.

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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.

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.

Financial assets

Financial assets comprise rental deposits, which are recognised at cost.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

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

Cash

Cash comprises bank accounts which are 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 according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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.

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 remeasured after initial recognition.

Deferred income

Deferred income recognised as a liability comprises EU grants received as refund for costs incurred in subsequent financial reporting years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Material uncertainty related to going concern

At 31 December 2016, the Company had a cash position of approximately DKK 15.7 million. However, if the cystic fibrosis program proceeds in full (see below), the cash burn for 2017 is expected to be higher than the cash in hand end of year.

During 2016, the Company conducted a number of preclinical evaluations of AA-139 focusing on the development of an intravenous administration form for the treatment of complicated urinary tract infections in preparation for filing a Clinical Trial Application. In parallel, AA-139 was evaluated for the potential use as an aerosol administration for the treatment of cystic fibrosis.

Based on the results from these evaluations, the Company decided in December 2016 to discontinue further development of the intravenous administration of AA-139 and to refocus on the development of the aerosol administration for the treatment of cystic fibrosis.

The refocused development program will require additional funding in order to complete the regulatory requirements for a clinical trial application and for the conduct of a clinical Phase 1a/b program. The Company is currently in discussions with its existing and new investors to secure the required funding.

If, contrary to Management's expectations, the Company is not successful in completing the above mentioned financing, the activities of the Company may be immediately downsized so as to allow operations to be continued until 31 December 2017.

The Company's activity plan for 2017 has changed materially due to development results that Adenium received in December and January as well as the cash position. As a result, all major development activities have been put on hold, while the Company focuses on raising financing for a revised development plan. Consequently, the 2017 budget that was approved by the Board in November has been suspended.

Based on the current liquidity position, existing supplier liabilities and running cost rate, the Company has sufficient liquidity (including access to funds such as the tax credit for 2016) to fund the Company through 2017. Furthermore, the Company has flexibility on its cost base to cover its liabilities into 1Q 2018 if the Company is unable to raise additional capital over the next 3-5 months.

Consequently, it is Management's conclusion that the requirements for the going concern assumption are satisfied.

	2016	2015
DKK		
3 Other operating income		
Grants, PneumoNP	1,182,555	547,180
Grants, FORAMP	471,003	489,010
	<u>1,653,558</u>	<u>1,036,190</u>
DKK		
4 Financial expenses		
Interest expenses, associates	3,641,205	1,668,667
Other financial expenses	23,785	9,176
	<u>3,664,990</u>	<u>1,677,843</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016	2015
5 Tax for the year			
Estimated tax charge for the year		-3,016,967	-5,875,000
		<u>-3,016,967</u>	<u>-5,875,000</u>

Estimated tax for the year contains recognised tax credits with reference to LL §8X regarding tax credits for research and development expenditures.

	DKK	2016	2015
6 Share capital			
Analysis of the share capital:			
1,436,800 shares of DKK 1.00 nominal value each		1,436,800	1,436,800
		<u>1,436,800</u>	<u>1,436,800</u>

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

	DKK	2016	2015	2014	2013	2012
Opening balance		1,436,800	1,436,800	1,436,800	956,800	516,800
Capital increase		0	0	0	480,000	440,000
		<u>1,436,800</u>	<u>1,436,800</u>	<u>1,436,800</u>	<u>1,436,800</u>	<u>956,800</u>

7 Deferred tax

The Company has tax losses which may be carried forward infinitely, however, as it is uncertain whether these tax losses can be utilised within a foreseeable future (3-5 years), their carrying amount has not been recognised in the financial statements.

8 Convertible debt instruments

	Exchange deadline	Exchange rate	2016 DKK
Principle loan amount (round 1, 2014)	31-12-2019	1.00	12,000,000
Principle loan amount (round 2, 2015)	31-12-2019	1.00	14,000,000
Principle loan amount (round 3, 2015)	31-12-2019	1.00	10,000,000
Principle loan amount (round 4, 2016)	31-12-2019	1.00	14,000,000
Accrued interest	31-12-2019	1.00	5,352,539
			<u>55,352,539</u>

The Company has issued convertible debt instruments totalling DKK 50,000,000. The debt instruments issued by the Company earn interest on market terms being 8% pro anno resulting in an accrued interest at 31 December 2016 of DKK 5,352,439.

The loan issued pursuant to the convertible debt instrument, including any accrued or unpaid interest, falls due for repayment on 31 December 2019.

Outside the scope of the Danish Insolvency Act and other wind-up situations, the lenders are not entitled to require the loans repaid before the repayment date.

At the repayment date, the lenders are entitled to convert the loan, including accrued or unpaid interest, to shares at a price per share of DKK 25.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2016	2015
9 Staff costs and incentive programmes		
Wages/salaries	2,856,574	3,160,700
Other social security costs	3,905	11,053
Other staff costs	96,991	64,162
	<u>2,957,470</u>	<u>3,235,915</u>

Staff costs are recognised as follows in the financial statements:

Research	2,957,470	3,235,915
	<u>2,957,470</u>	<u>3,235,915</u>
Average number of full-time employees	<u>2</u>	<u>3</u>
Number of employees at the balance sheet date	<u>2</u>	<u>3</u>

Incentive programmes

In August 2012, 31,000 warrants were granted to key employees and other relevant stakeholders entitling each holder to subscribe one share against cash payment of DKK 25.

No warrant-related expenses have been recognised in the annual report in accordance with the Danish Financial Statements Act.

10 Contractual obligations and contingencies, etc.

Other contingent liabilities

In 2011 and 2013, the Company acquired certain patents and data libraries from Novozymes. In the event that these rights generate sales of products developed from these patents and data libraries, the Company will have to pay royalty. The Company has currently not developed any such products and there is significant uncertainty as to whether such products will ever be developed or sold. Against this background, the Company has not recognised any liabilities related to such potential royalties.

Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	<u>32,622</u>	<u>32,511</u>