

Nanovi A/S

(CVR no. 34 88 90 31)
c/o DTU-Scion, Diplomvej 373
2800 Kgs. Lyngby, Denmark

Annual report 2017

Approved at the Company's Annual General Meeting on 31 May 2018

Chairman:



Thomas Holst Laursen

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Company information

The Company	Nanovi A/S c/o DTU-Scion, Diplomvej 373 2800 Kgs. Lyngby Denmark	
	CVR no.	34 88 90 31
	Founded	2012
	Registered office	Kgs. Lyngby
	Financial year	1 January - 31 December
Ownership (as of 31 Dec 2017)	36 % Vækstfonden 31 % Nr. Holding Jun-2010 ApS 10% Pre-seed Innovation A/S 18% Micocou Invest ApS 5% Minority shareholders	
Board of Directors	Thomas Lars Andresen Gordon McVie Jesper Roested Flemming Carl Thorup Jesper Boysen	Chairman
Executive Board	Jesper Boysen	
Auditor	Ernst & Young P/S Osvald Helmuths Vej 4 2000 Frederiksberg Denmark	
Company's principal activity	Nanovi's principal activities are development and commercialization of tissue markers to enable better treatment of cancer.	

Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nanovi A/S for the financial year 1 January - 31 December 2017

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with Danish disclosure requirements in the Danish Financial Statement 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 and cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.


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

Lyngby, 17 May 2018


Executive Board:

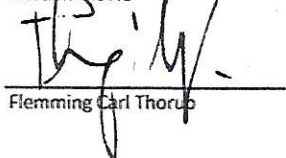

Jesper Boysen


Board of Directors:


Thomas Lars Andresen
Chairman


Gordon McVie


Jesper Roested


Flemming Carl Thorup


Jesper Boysen

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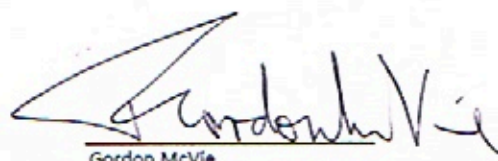
Lyngby, 17 May 2018

Executive Board:

Jesper Boysen

Board of Directors:

Thomas Lars Andresen
Chairman



Gordon McVie

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Lyngby, 17 May 2018

Executive Board:

Jesper Boysen

Board of Directors:

Thomas Lars Andersen
Chairman



Jesper Roested

Gordon McVie

Flemming Carl Thorup

Jesper Boysen

Independent auditor's report

To the shareholders of Nanovi A/S

Opinion

We have audited the financial statements of Nanovi A/S for the financial year 1 January – 31 December 2017, which comprise a statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of 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 and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

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

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 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 Statements Act. We did not identify any material misstatements of the Management's review.

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 International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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.
- ▶ 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.

Copenhagen, 24 May 2018

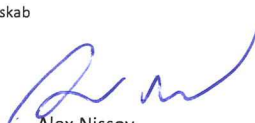
Ernst & Young

Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28



Niels-Jørgen Andersen
State Authorised
Public Accountant
mne30201



Alex Nissov
State Authorised
Public Accountant
mne33237

Management's review

Nanovi's essential activities

Nanovi develops ready-to-inject liquid tissue markers to guide radiotherapy and cancer surgery. Our objective is to enable higher precision and better treatment outcomes for the benefit of cancer patients and societies worldwide.

We have three products in pre-commercial and development phases:

BioXmark® in regulatory phase is intended to enable higher precision of radiotherapy. The marker is injected as a liquid close to a tumor target and changes viscosity upon application to form a sticky gel that is visible on all relevant image modalities. Due to its unique properties BioXmark® has the potential to become the marker of choice and expand the use of guiding tissue markers to cancer indications, where current markers are less feasible.

PalpMark™ in pre-clinical development is a new type of tissue marker to guide localisation of small lung cancer nodules for surgical resection. The marker is a liquid, coloured for visualization, which hardens upon injection, so the surgeon can also distinguish it from soft tissue by hand.

PetXmark™ in pre-commercial phase is a liquid marker intended for use to guide radiosurgery of pets (dogs and cats) with cancer.

Nanovi is founded on a patented technology platform, developed at DTU, for innovative design of biomaterials, to which the company has the global rights for medical applications.

Business development in 2017

In 2017, we advanced Nanovi's product pipeline on several fronts.

For BioXmark®, we established further documentation for clinical performance and safety. Towards the end of the year, an investigator initiated clinical study of marker performance in patients with rectal cancer was approved for initiation at the MAASTRO clinic in the Netherlands.

For PalpMark™, we demonstrated biocompatibility and documented proof-of-concept in two pre-clinical performance studies, conducted in collaboration with Rigshospitalet, the Copenhagen University Hospital. We participated at two medical conferences in Europe where presentations of PalpMark attracted significant interest from leading surgeons.

On PetXmark™, we signed an agreement with PetCure Oncology in the U.S. covering supply of the product for clinical and commercial use.

Financial review

In 2017, other operating income of DKK 45,000 stemmed from supply of PetXmark™ for clinical study use. In 2016, other operating income of DKK 500,000 consisted of a grant payment.

Operational costs increased to DKK 10.1 million in 2017 (2016: DKK 7.1 million). The increase was driven by a higher activity level and advancements in product development, regulatory, IP and corporate functions, including new hires to support the planned next steps in the company's development.

Net financial items amounted to DKK -1.7 million (2016: DKK - 1.3 million) and net loss for the year was DKK 10.4 million (2016: DKK 6.7 million).

Events after the balance sheet date

In May 2018, Nanovi raised DKK 15 million in new share capital. The new shares were subscribed by both existing and new investors at a price of DKK 30 per share and included the conversion of convertible loans of DKK 2 million in total from December 2017. Also in May, we submitted the design dossier on BioXmark for regulatory review in Europe.

Business and financial outlook for 2018

In 2018, pending a positive outcome of the regulatory review, we anticipate CE marking of BioXmark® for use to better guide radiotherapy of patients with cancer and to prepare for commercialization of the product. Further, it is our plan to advance PalpMark™ into clinical development for guidance of lung cancer surgery. PetXmark™ to guide radiosurgery of pets is expected to become a commercial product.

We expect revenue from the first commercial sales of PetXmark™ and in the form of grant payments. Operational expenses are expected to be higher than last year, as we advance the company towards commercialization, however with a lower rate of increase than in 2017. Net results are expected to be negative.

TOTAL COMPREHENSIVE INCOME

DKK	Notes	2017	2016
Other operating income	5	47.523	500.000
Other external expenses	6	-4.577.374	-2.943.285
Gross profit/loss		-4.529.851	-2.443.285
Staff costs	3, 4, 6	-5.553.508	-4.125.175
Operating profit /loss		-10.083.359	-6.568.460
Financial income	7	1.895	4.874
Financial expenses	8	-1.701.096	-1.343.248
Profit/loss before tax		-11.782.560	-7.906.834
Tax for the year	9	1.408.519	1.238.081
Profit/loss for the year		-10.374.041	-6.668.753
Other comprehensive income, net of tax		0	0
Total comprehensive income for the year		-10.374.041	-6.668.753

STATEMENT OF FINANCIAL POSITION

DKK	Notes	2017	2016
Assets			
Non-current assets			
Other receivables	13	37.095	30.820
Total non-current assets		37.095	30.820
Current assets			
Income taxes receivable	9	1.606.645	1.238.081
Other receivables	13	621.626	229.240
Prepayments		-	-
Cash and cash equivalents		1.699.629	3.649.933
Total current assets		3.927.900	5.117.254
Total assets		3.964.995	5.148.074
Equity and liabilities			
Equity			
Share capital		1.065.141	731.808
Share premium account		-	-
Retained earnings		-14.855.733	-9.393.859
Total equity		-13.790.592	-8.662.051
Liabilities			
Non-current liabilities			
Other credit institutions	13	16.590.590	13.152.426
Total non-current liabilities		16.590.590	13.152.426
Current liabilities			
Trade payables	13	599.921	175.312
Other payables		565.075	482.386
Total current liabilities		1.164.996	657.699
Total liabilities		17.755.586	13.810.125
Total equity and liabilities		3.964.995	5.148.074

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Notes

Related party disclosures, note 14

Events after the balance sheet date, note 15

Standards issued but not yet effective, note 16

STATEMENT OF CASH FLOWS

DKK	Notes	2017	2016
Cash flow from operating activities			
Profit before tax		-11.782.560	-7.906.834
Non-cash adjustments		-	-
Changes in working capital	12	108.637	-810.397
Financial interest expenses, net of interest payments		1.683.665	1.343.248
Income taxes received		1.039.954	985.586
Cash flow from operating activities		-8.950.304	-6.388.397
Cash flow from investing activities			
Investments in intangible assets		-	-
Investments in property, plant and equipment		-	-
Cash flow from investing activities		-	-
Cash flow from financing activities			
Increase in borrowings		2.000.000	8.997.805
Capital increase		5.000.000	-
Cash flow from financing activities		7.000.000	8.997.805
Net cash flow		-1.950.304	2.609.408
Cash and cash equivalents at 1 January		3.649.933	1.040.525
Net cash flow in 2017		-1.950.304	2.609.408
Cash and cash equivalents at 31 December		1.699.629	3.649.933

STATEMENT OF CHANGES IN EQUITY

2017				
DKK	Share capital	Share premium	Retained earnings	Total
Equity at 1 January	731.808	-	-9.393.859	-8.662.051
Profit for the period	-	-	-10.374.041	-10.374.041
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	731.808	-	-19.767.900	-19.036.092
Transactions with owners of the Company and other equity transactions:				
Capital increase	333.333	4.666.667	-	5.000.000
Transferred from share premium account	-	-4.666.667	4.666.667	-
Dividends paid	-	-	-	-
Portion of convertible debt	-	-	245.500	245.500
Total transactions with owners of the Company and other equity transactions	333.333	-	4.912.167	5.245.500
Equity on 31 December	1.065.141	-	-14.855.733	-13.790.592

2016				
DKK	Share capital	Share premium	Retained earnings	Total
Equity at 1 January	731.808	-	-4.356.120	-3.624.312
Profit for the period	-	-	-6.668.753	-6.668.753
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	-	-	-6.668.753	-6.668.753
Transactions with owners of the Company and other equity transactions:				
Dividends paid	-	-	-	-
Portion of convertible debt	-	-	1.631.014	1.631.014
Total transactions with owners of the Company and other equity transactions	-	-	1.631.014	1.631.014
Equity on 31 December	731.808	-	-9.393.859	-8.662.051

NOTES OVERVIEW

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Notes

Note 1 General accounting policies

Corporate information

Nanovi A/S (Nanovi or the Company) is incorporated and domiciled in Denmark. The Company's registered office is located at DTU-Scion, Diplomvej 373, 2800 Kgs. Lyngby.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as well as with additional Danish disclosure requirements applying to entities of reporting class B. Further they are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Board of Directors and Executive Management have on the 19 April 2018 approved the Annual Report 2017 for Nanovi A/S.

The financial statements have been prepared on a historical cost basis, except equity element of convertible debt is recognised at fair value.

These financial statements are expressed in DKK, as this is Nanovi A/S's functional and presentation currency.

In the financial statements for 2016, the calculated interest rate step-up on the convertible loans from February and April 2016 has not been amortized as interest expense. This is considered a material error which has been corrected in this financial statements for 2017, where the comparative numbers for 2016 have been restated. The correction has increased financial expenses for 2016 with DKK 241,855 and reduced retained earnings as at 31 December 2016 with DKK 241,855.

Applied materiality

The financial statements are a result of processing large numbers of transactions and aggregating those into classes according to their nature or function. The aggregated transactions are presented in classes of similar items in the financial statements. Line items not individually material are aggregated with other items of a similar nature in the financial statements and in the notes.

IFRS disclosure requirements are substantial. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the financial decision-making of the users of these financial statements and otherwise not warranted or not applicable.

Changes in accounting policies

The accounting policies are unchanged compared to last year.

Currency translation

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

Public grants

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

Income statement

Other operating income

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including public grants, gains or losses on the sale of non-current assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to research and development, patents, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. The item is net of refunds received from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financial items 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 charged to equity is recognised in equity.

Balance sheet

Receivables

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs 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.

Cash and cash equivalents

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

Corporation tax

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

Note 1 General accounting policies (continued)

Corporation tax (continued)

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. 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Convertible debt

Convertible debt are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent accounting periods.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price"). The fair value is a market-based and not an entity specific measurement. Nanovi uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. Nanovi's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or minimises the liability less transaction and transport costs.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level of input significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

Cash flow statement

Cash flow is divided into cash flow from operating activities, investing activities and financing activities.

The cash flow statement cannot be directly derived from the statement of financial position and income statement.

Cash flows from the operating activities are prepared using the indirect method based on operating profit before amortisation and depreciation and corrected for non-cash items, changes in working capital, interests and taxes.

Cash flow from investing activities comprise of payments relating to sale or purchase of companies or activities, purchase of intangible, tangible or other non-current assets.

Cash flow from financing activities comprise of financing activities incl. obtaining and repayment of loans from Group Companies and dividends to Shareholders.

Note 2 Critical accounting estimates, assumptions and judgements

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the assets and liabilities and the accompanying disclosures.

Estimates and assumptions are continuously assessed on the basis of historical experience and other factors, including expectations of future events considered reasonable under prevailing conditions. Actual outcomes may therefore vary from the assessments and best estimates applied by management.

The areas in which estimates and assumptions could entail significant risk of adjustment in the recognised amounts for assets and liabilities in future financial years are primarily the following:

Share-based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the actual grant. The estimation also requires determination of the most appropriate inputs to the valuation model including expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes model for both senior management's and employees' share based plans.

Convertible debt:

On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is based on unobservable market data and contains a higher degree of estimate as Nanovi is a young company, still pre sustainable profitability.

Note 3 Staff costs

DKK	2017	2016
Wages and salaries	5.473.788	4.001.084
Other social security costs	25.587	16.852
Share based payment expense	-	-
Other staff costs	54.133	107.239
Total	5.553.508	4.125.175
Average number of full-time employees	6	4

In 2017 and 2016, Nanovi's Executive Board consisted of one member only and only one member of the Board of Directors received remuneration for consultancy to the company. As a consequence, their remuneration is grouped together with reference to the Danish Financial Statement Act §98b(3), (i).

DKK	2017	2016
Remuneration to the Executive Board and the Board of Directors	1.102.216	1.061.317
Total	1.102.216	1.061.317

Note 4 Share-based payments

The Company has an established warrant program for management and employees. Under the program, warrants have been allocated in 2014, 2016 and 2017. Each warrant gives the holder the right to purchase one share in Nanovi at a price of DKK 15 (2017 warrants), DKK 22.69 (2016 warrants) and DKK 30.25 (2014 warrants). The value of the warrant program has been calculated using the Black-Scholes model, which is the most common valuation model used to calculate the value of such instrument. The Black-Scholes valuation model uses the price and a volatility goal for the underlying shares at the time of the grant. It is Management's assessment that the value of the warrant program equals fair value at the time of grant, and Nanovi has therefore not recognised any costs related to the warrant program in the comprehensive income statement.

The warrants are dependent on an exit before 31 December 2019.

Specification of outstanding share options

DKK	Board members	Employees	Total	Average exercise price per option	Fair value per option	Total fair value
Outstanding 1 January 2016	25.385	11.280	36.665	30,25	-	-
Granted	39.466	10.977	50.443	22,69	-	-
Forfeited	48.385	11.280	59.665	26,66	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding 31 December 2016	16.466	10.977	27.443	22,69		
Granted	13.977	20.409	34.386	15,00	-	-
Forfeited	-	1.000	1.000	15,00	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding 31 December 2017	30.443	30.386	60.829	18,47		
Options exercisable 31 December 2016	-	-	-			
Options exercisable 31 December 2017	-	-	-			

Note 5 Other operating income

DKK	2017	2016
Government grants		
Government grants received for the year	0	500.000
	0	500.000

No public grants have been received in 2017. Grants received in 2016 covers a first installment from Markedsmodningsfonden to cover expenses related to research and development of PalpMark. Such expenses include staff costs, costs of raw materials and other external production and development costs.

Note 6 Research and development costs

DKK	2017	2016
Research and development costs recognised in income statement	6.402.360	4.727.066
Total	6.402.360	4.727.066

Note 7 Financial income

DKK	2017	2016
Foreign currency exchange gain	1.895	4.874
Interest income	-	-
Total	1.895	4.874

Note 8 Financial expenses

DKK	2017	2016
Foreign currency exchange loss	6.715	1.438
Interest expenses	1.694.381	1.341.810
Total	1.701.096	1.343.248

Note 9 Income tax**Tax for the year**

DKK	2017	2016
Total tax for the year is specified as follows:		
Tax for the year	-1.408.519	-1.238.081
Tax on other comprehensive income	-	-
Total	-1.408.519	-1.238.081

Income tax of profit from the year is specified as follows:

Current tax	-1.408.519	-1.039.954
Deferred tax	-	-
Adjustment of tax related to prior years	-	-198.127
Total	-1.408.519	-1.238.081

	2017	2016
Loss for the year	-11.782.560	-7.906.834
Calculated tax at 22 %	2.592.163	1.739.503
Not recognised loss carry forward	-1.183.644	-501.422
Tax for the year	1.408.519	1.238.081
Effective tax rate	-11,95%	-15,66%

Deferred tax

DKK	2017	2016
Deferred tax		
Deferred tax 1 January	-	-
Deferred tax for the year recognised in profit for the year	-	-
Deferred tax for the year recognised in other comprehensive income	-	-
Successive reduction of the Danish corporate tax to #% in 2016	-	-
Deferred tax 31 December	-	-

Deferred tax is recognised in the balance sheet as follows:

Deferred tax assets	-	-	-
Deferred tax liabilities	-	-	-
Deferred tax 31 December, net	-	-	-

DKK	2017	2016
Income tax receivable/payable 1 January	1.238.081	985.586
Adjustment prior years	-	198.127
Received payment	-1.039.954	-985.586
Tax credit arrangement	1.408.519	1.039.954
Income tax receivable/payable 31 December	1.606.646	1.238.081

Unrecognised tax asset amounts to DKK 2.543.809 (2016: DKK 1,417,914)

Note 10 Equity

Capital management

Management strives to align Nanovi's capital resources best possibly with the company's operations and business plans. This includes considerations of the best capital structure, i.e. the ratio between equity capital and debt, which secures funding at lowest costs. In 2017, the company has raised new capital primarily through issuance of new shares and secondly through issuance of two convertible loans. This has shifted the capital balance in favour of equity to capital. Still, the company has a negative equity to total assets ratio.

Share capital

	Issued shares			
	No. of shares		Nominal value	
	2017	2016	2017	2016
1 January	1.065.141	731.808	1.065.141	731.808
31 December - fully paid	1.065.141	731.808	1.065.141	731.808

The share capital consists of 320,000 (2016: 320,000) A-shares of nominal value DKK 1 each and 745,141 (2016: 411,808) B-shares of nominal value DKK 1. The B-shares hold a likvidation preference as well as veto rights on some material decisions.

Note 11 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2017	2016
Rent and lease liabilities	46.950	42.502

Note 12 Changes in working capital

DKK	2017	2016
Other receivables	-398.661	411.817
Prepayments	0	75.769
Trade payables	424.609	-1.401.792
Other payables	82.689	103.809
Total change in working capital	108.637	-810.397

Note 13 Financial risk and financial instruments

Risk management policy

Nanovi's financial risk management covers the monitoring and evaluation of external and internal factors which can impact the company's financial resources and potentially disrupt meeting its business objectives. Management continuously work to secure an optimal risk-balanced financing and minimize the financial risks the company incurs in relation to its operations.

Market risk

Nanovi's business is not subject to any specific financial market risk beyond the risks related to changes in exchange rates and interest rate levels.

Currency risk

Nanovi's exposure to fluctuations in exchange rates is limited, because the clear majority of its cash flows are in local currency. Therefore, income and expenses are not at this stage hedged with financial instruments. For single payments in USD and EUR, efforts are being made to try to match revenues and costs as well as possible.

Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates on interest bearing debt and cash deposits will affect the income statement, financial position and/or cash flow.

Currently, Nanovi has five loans, of which the four largest are provided by Vækstfonden. All loans carry a fixed annual interest rate, accrued at year end, and payable on maturity. The company's interest rate risk is therefore limited to fluctuations in the variable interest rate on its bank deposits. With short term interest rates being negative, it is customary for banks to request payments on cash in the bank, and Nanovi pays interest on its deposits.

Liquidity and financing risk

Liquidity risk is the risk of lower than expected short-term cash inflow and insufficient cash availability to be able to fulfill short term payment obligations to internal and/or external parties. Nanovi has ensured its cash readiness through bank deposits. The long-term financing of its operational expenses and investment activities, Nanovi has obtained equity capital from Vækstfonden and other investors and through long-term loans.

Contractual cashflows:

2017	Carrying amount	Total	< 1 year	2 - 4 years	>5 years
Non-derivative financial instruments					
Other credit institutions	16.590.590	25.312.967	-	25.312.967	-
Trade payables	599.921	599.921	599.921	-	-
Other payables	565.075	565.075	565.075	-	-
Total	17.755.586	26.477.963	1.164.996	25.312.967	-

2016	Carrying amount	Total	< 1 year	2 - 4 years	>5 years
Non-derivative financial instruments					
Other credit institutions	13.152.426	22.681.015	-	13.221.734	9.459.281
Trade payables	175.312	175.312	175.312	-	-
Other payables	482.386	482.386	482.386	-	-
Total	13.810.124	23.338.713	657.698	13.221.734	9.459.281