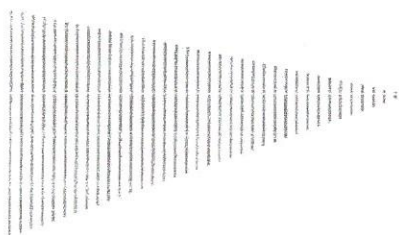


Defensin Therapeutics ApS

COBIS, Ole Maaløes Vej 3, 2200 København N

CVR no. 35 51 32 80



Annual report for the year 1 January - 31 December 2015

Approved at the annual general meeting of shareholders on 24 May 2016

Chairman:

PETER NORDKILD



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working world



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Defensin Therapeutics ApS for the financial year 1 January - 31 December 2015.


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 Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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

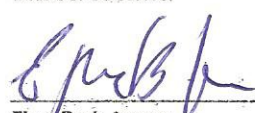
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 24 May 2016
Executive Board:



Dr. Peter Nordkild

Board of Directors:



Ejner Bech Jensen
Chairman

Jan Wehkamp

Matthew Alister Cooper

Søren Neve

Peter Nordkild

Independent auditors' report

To the shareholders of Defensin Therapeutics ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Defensin Therapeutics ApS for the financial year 1 January - 31 December 2015, 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.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion


In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 24 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant

Management's review

Company details

Name	Defensin Therapeutics ApS
Address, Postal code, City	COBIS, Ole Maaløes Vej 3, 2200 København N
CVR No.	35 51 32 80
Established	6 October 2013
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.defensintherapeutics.com/
E-mail	pno@defensintherapeutics.com
Telephone	+45 25 47 16 46
Executive Board	Dr. Peter Nordkild,
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank Finanscenter København, Holmens Kanal 2, 1090 Copenhagen K

Management's review

Operating review

The Company's business review

Defensin Therapeutics is a Danish biopharmaceutical company incorporated 6 October 2013 as a spin out from Novozymes A/S of the human defensin development program.

Unusual matters having affected the financial statements

Going concern

Subsequent to the balance sheet date, the Company signed an license and R&D agreement with Dr Falk Pharma GMBH (dated 15 April 2016) regarding the rights to develop manufacture and market Hbd-2 in Europe and Australia. In connection with the completion of the agreement, the Company received an up front payment of 1.5 million euros in 2016. The management considers the up front payment to cover the relevant cash burn for the upcoming 12 months in 2016. The management has presented the financial statements on a going concern assumption.

Refer to note 2 regarding events after the balance sheet date for further info.

Financial review

The income statement for 2015 shows a loss of DKK 811,429 against a loss of DKK 619,821 last year, and the balance sheet at 31 December 2015 shows a negative equity of DKK 53,334.

Research and development activities

Defensin Therapeutics focuses on the development and commercialization of human defensins for the treatment of diseases and conditions associated with dysregulation of the human microbiota.

The human microbiota is the name for the bacterial communities consisting of billions of commensal micro organisms that cover the body's different surfaces e.g. the skin, the ocular surface, the lung surface, the gastrointestinal tract etc. Our body lives in a symbiotic relationship with the microbiota. The microbiota plays a vital role in regulating our health. Alterations in the composition or function of the microbiota have been associated with more than 25 diseases. Whereas research efforts hitherto have focused on identifying the individual micro organisms constituting the microbiota, Defensin Therapeutics focuses on the regulation of the human microbiota.

Human defensins are cationic peptides secreted on the bodily surfaces as part of the innate immune system to kill invading pathogens while allowing commensal bacteria on which many metabolic processes depend to live in peace. One of the best characterized dysbiotic conditions of the gut is Crohn's Disease. Crohn's seems to be a mucosal barrier disease in which the patients seem to lack the ability to produce defensins.

Defensin Therapeutics is focusing on the development of human beta defensin-2 for colonic Crohn's Disease.

Post balance sheet events

Subsequent to the balance sheet date, the Company signed an license and R&D agreement with Dr Falk Pharma GMBH (dated 15 April 2016) regarding the rights to develop manufacture and market Hbd-2 in Europe and Australia. In connection with the completion of the agreement, the Company has received an up front payment of 1.5 million euros in 2016.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
3	Administrative expenses	-359,521	-24,173
	Ordinary operating profit/loss	-359,521	-24,173
	Other operating income	65,000	0
	Research and development costs	-536,911	-601,571
	Operating profit/loss	-831,432	-625,744
	Financial expenses	-750	-2,410
	Profit/loss before tax	-832,182	-628,154
4	Tax for the year	20,753	8,333
	Profit/loss for the year	-811,429	-619,821
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-811,429	-619,821
		-811,429	-619,821

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
5	Intangible assets		
	Acquired intangible assets	0	0
		0	0
	Total non-current assets	0	0
	Current assets		
	Receivables		
	Income taxes receivable	20,583	8,333
	Other receivables	38,561	0
	Prepayments	0	74,505
		59,144	82,838
	Cash	183,265	427,966
	Total current assets	242,409	510,804
	TOTAL ASSETS	242,409	510,804
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	1,150,000	830,000
	Share premium account	0	166,951
	Retained earnings	-1,203,334	-619,821
	Total equity	-53,334	377,130
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	83,772	120,497
	Other payables	211,971	13,177
		295,743	133,674
	Total liabilities other than provisions	295,743	133,674
	TOTAL EQUITY AND LIABILITIES	242,409	510,804

- 1 Accounting policies
- 2 Events after the balance sheet date
- 8 Collateral
- 9 Contractual obligations and contingencies, etc.

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2015	830,000	166,951	-619,821	377,130
Capital increase	320,000	80,000	0	400,000
Expenses, capital increase	0	-19,035	0	-19,035
Profit/loss for the year	0	0	-811,429	-811,429
Transferred from share premium account	0	-227,916	227,916	0
Equity at 31 December 2015	1,150,000	0	-1,203,334	-53,334

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Defensin Therapeutics ApS has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

Income statement

Other operating income

Other operating income comprise 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 comprise research grants received.

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

Research and development costs includes research costs not satisfying the criteria for capitalization, including expenses like clinical trials, patent costs and research staff.

Financial expenses

Financial expenses are recognised in the income statement 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

Intangible assets

Other intangible assets include acquired intangible rights, including IP rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Impairment of fixed assets

Every year, intangible assets are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

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.

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.

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.

Prepayments

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

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.

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.

2 Events after the balance sheet date

Subsequent to the balance sheet date, the Company signed an license and R&D agreement with Dr Falk Pharma GMBH (dated 15 April 2016) regarding the rights to develop manufacture and market Hbd-2 in Europe and Australia. In connection with the completion of the agreement, the Company received an up front payment of 1.5 million euros in 2016. The management considers the up front payment to cover the relevant cash burn for the upcoming 12 months in 2016. The management has presented the financial statements on a going concern assumption.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

3 Staff costs

The Company has no employees.

Incentive programmes

In August 2015, 180,087 warrants were granted to the executive board member and other relevant stakeholders entitling each holder to subscribe one share against cash payment of DKK 1.25 per share.

In April 2016, subsequently to the balance sheet date, additional 80,000 warrants were granted to key employees and other relevant stakeholders entitling each holder to subscribe one share against cash payment of DKK 1.25 per share.

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

DKK	2015	2014
4 Tax for the year		
Estimated tax charge for the year	-20,583	-8,333
Tax adjustments, prior years	-170	0
	<u>-20,753</u>	<u>-8,333</u>

Estimated tax for the year comprises recognised tax credits for the income year 2015 with reference to LL §8X regarding tax credits for research and development expenditures.

5 Intangible assets

DKK	Acquired intangible assets
Cost at 1 January 2015	21,951
Cost at 31 December 2015	21,951
Impairment losses and amortisation at 1 January 2015	21,951
Impairment losses and amortisation at	21,951
Carrying amount at 31 December 2015	<u>0</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
6 Share capital		
The share capital consists of the following:		
1,150,000 shares of DKK 1.00 each	1,150,000	830,000
	<u>1,150,000</u>	<u>830,000</u>
Analysis of changes in the share capital over the past 2 years:		
DKK	2015	2014
Opening balance	830,000	0
Capital increase	320,000	830,000
	<u>1,150,000</u>	<u>830,000</u>

In connection with the capital increase, the Company incurred expenses totalling DKK 19,035.

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 Collateral

The Company has not placed any assets or other as security for loans at 31 December 2015.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company has contingent liabilities at 31 December 2015.

Other financial obligations

The Company has no rent or lease obligations at 31 December 2015.