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UNEEG medical A/S

Nymøllevej 6
3540 Lynge
Business Registration No
29140774

Annual report 01.05.2018 - 30.09.2019

The Annual General Meeting adopted the annual report on 19.12.2019

Chairman of the General Meeting

Name: Søren Erik Westermann

Contents

Entity details

Entity
UNEEG medical A/S
Nymøllevej 6
3540 Lynge

Central Business Registration No (CVR): 29140774
Registered in: Allerød
Financial year: 01.05.2018 - 30.09.2019

Board of Directors
Søren Erik Westermann, Chairman
Henning Beck-Nielsen, Vice-chairman
Lars Nørgaard
Richard Tøpholm
Philip Just Larsen
Peter Willems-Alnøe

Executive Board
Torben Sandgren

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of UNEEG medical A/S for the financial year 01.05.2018 - 30.09.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations for the financial year 01.05.2018 - 30.09.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Lynge, 19.12.2019

Executive Board

Torben Sandgren

Board of Directors

Søren Erik Westermann Chairman	Henning Beck-Nielsen Vice-chairman	Lars Nørgaard
Richard Tøpholm	Philip Just Larsen	Peter Willems-Alnøe

Independent auditor's report

To the shareholders of UNEEG medical A/S

Opinion

We have audited the financial statements of UNEEG medical A/S for the financial year 01.05.2018 - 30.09.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity’s financial position at 30.09.2019 and of the results of its operations for the financial year 01.05.2018 - 30.09.2019 in accordance with 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 Entity’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 Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 misstatement of the management commentary.

Copenhagen, 19.12.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification No (MNE) mne33276

Management commentary

Primary activities

The Company's main activity, like previous years, consists of research and development of active implantable devices and other EEG-/neurological medical devices.

In this Financial Year, the Company has moved into the commercializing phase of medical devices for monitoring EEG with focus on Epilepsy. Diabetes and Sleep Disorders are continued research & development activities that, in the opinion of the Board, are related to this.

The commercialization during 2018/19 is due to the granted CE mark for its first product, Project "IL01" or the commercial brand UNEEG 24/7 SubQ™ - an EEG recording device for epilepsy. Further, the Company has been able to launch a complete solution for the physicians as the Company has co-developed a unique epilepsy seizure counting software based on data and algorithms from Austrian Institute of Technology in Vienna, Austria. The product sold under the private label "UNEEG EpiSight™" and is CE-marked in July 2019.

Following the CE marks of UNEEG 24/7 SubQ and UNEEG EpiSight, the first blanket order was received, and the first commercial units delivered to King's College in London, UK where the first patients were implanted. This first commercial agreement is a direct consequence of the fact that the Company in 2017 won the prestigious US-based "People's Choice Award" during the yearly USA Epilepsy Foundation's" Shark Tank" competition. Following this, the US epilepsy organization," My Seizure Gauge", invited the Company to participate in the large-scale and multi-national (USA, Australia, UK and Denmark). clinical investigations with the strategic objective to collect and process data for the so-called predictive epilepsy seizure alarm. The blanket order will be supplied and implanted during 2019 and 2020, according to King's College enrollment of patients.

Upon the granted CE-mark, the company has expanded the commercial organization and is now covering Nordics and Western Europe, with direct representation in DK and UK.

Further, the company had several scientific and technical articles published related to epilepsy as well as a clinical poster within hypoglycemia in type 1 diabetic patients which was presented during Diabetes Technology Management in Bethesda, USA and Advanced Technology and Treatment in Diabetes in Berlin, Germany. The Company's brand "Hyposafe" is an alarm prior to a severe hypoglycemic seizure ("insulin chock").

Development in activities and finances

Gross loss for the year amounts to DKK 12.695 thousand compared to DKK 3.672 thousand last year. The ordinary result after tax amounts to a loss of DKK 34.277 thousand against DKK 7.016 thousand last year. Loss for the year corresponds to Management's expectations. The Company has entered a financing agreement with the Shareholders regarding the development activities in the Company.

Several shared service agreements with the former Widex A/S has been discontinued due to the merger between Widex A/S and Sivantos – now named "WS Audiology" (WSA) as the ownership structure cannot support our previous set-up. Consequently, the Company has established more administrative competences in-house such as for example HR, finance and general administration. Further, the Company has entered into its own unique insurance and service agreements with 3rd party suppliers.

Management commentary

Research and development activities

The Company has many years of experience in conducting research and developing new technology and methods related to EEG monitoring for Epilepsy, Diabetes and recently Sleep Disorders. To maintain its position in a highly competitive market, the Company continued to strengthen its Research & Development department during the financial year. In 2018/19 R&D costs of DKK 67 million has been capitalized as development projects Against DKK 21 million last year. The significant increase is partly contributed to the purchase of the development activities of "Project IL01" – now marketed under the brand UNEEG 24/7 SubQ, from an affiliated company.

The capitalization follows the accounting policies set out at the end of the financial statements and internal R&D registrations, which have been further strengthened during 2018/19. As no amortization has started on this initial capitalization this has positive impact on the results for 2018/19.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	Number	Nominal value DKK'000	Share of contributed capital %
Treasury shares			
Holding of treasury shares:			
Treasury shares	6.017	6.017	0,3
	6.017	**6.017**	**0,3**

Income statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Gross loss		**(12.695)**	**(3.672)**
Staff costs	1	(25.102)	(2.912)
Depreciation, amortisation and impairment losses		(420)	(300)
Operating profit/loss		**(38.217)**	**(6.884)**
Other financial income	2	3	16
Other financial expenses	3	(6.233)	(2.124)
Profit/loss before tax		**(44.447)**	**(8.992)**
Tax on profit/loss for the year	4	10.170	1.976
Profit/loss for the year		**(34.277)**	**(7.016)**
Proposed distribution of profit/loss			
Retained earnings		(34.277)	(7.016)
		(34.277)	**(7.016)**

Balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Acquired intangible assets		1.679	1.472
Development projects in progress		87.677	20.677
Intangible assets	5	**89.356**	**22.149**
Other fixtures and fittings, tools and equipment		739	67
Property, plant and equipment	6	**739**	**67**
Fixed assets		**90.095**	**22.216**
Manufactured goods and goods for resale		2.853	0
Inventories		**2.853**	**0**
Trade receivables		327	0
Receivables from group enterprises		0	651
Other receivables		13.037	666
Joint taxation contribution receivable		24.905	6.461
Prepayments		137	61
Receivables		**38.406**	**7.839**
Cash		**3.648**	**1.970**
Current assets		**44.907**	**9.809**
Assets		**135.002**	**32.025**

Balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		2.388	2.388
Reserve for development expenditure		68.388	16.129
Retained earnings		(130.417)	(43.881)
Equity		**(59.641)**	**(25.364)**
Deferred tax		19.683	4.862
Provisions		**19.683**	**4.862**
Payables to group enterprises		107.943	48.705
Non-current liabilities other than provisions		**107.943**	**48.705**
Trade payables		658	1.419
Payables to group enterprises		62.240	692
Other payables		4.119	1.711
Current liabilities other than provisions		**67.017**	**3.822**
Liabilities other than provisions		**174.960**	**52.527**
Equity and liabilities		**135.002**	**32.025**
Contingent liabilities	7		
Group relations	8		

Statement of changes in equity for 2018/19

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.388	16.129	(43.881)	(25.364)
Transfer to reserves	0	52.259	(52.259)	0
Profit/loss for the year	0	0	(34.277)	(34.277)
Equity end of year	**2.388**	**68.388**	**(130.417)**	**(59.641)**

Notes

	2018/19 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	22.107	2.173
Pension costs	1.841	473
Other social security costs	215	128
Other staff costs	939	138
	25.102	**2.912**
Average number of employees	**25**	**18**

	2018/19 DKK'000	2017/18 DKK'000
2. Other financial income		
Financial income arising from group enterprises	0	9
Other interest income	3	1
Exchange rate adjustments	0	6
	3	**16**

	2018/19 DKK'000	2017/18 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	6.210	2.113
Other interest expenses	17	11
Exchange rate adjustments	6	0
	6.233	**2.124**

	2018/19 DKK'000	2017/18 DKK'000
4. Tax on profit/loss for the year		
Current tax	(24.905)	(6.461)
Change in deferred tax	14.821	4.485
Adjustment concerning previous years	(86)	0
	(10.170)	**(1.976)**

Notes

	Acquired intangible assets DKK'000	Development projects in progress DKK'000
5. Intangible assets		
Cost beginning of year	3.248	20.678
Additions	597	66.999
Cost end of year	**3.845**	**87.677**
Amortisation and impairment losses beginning of year	(1.775)	0
Amortisation for the year	(391)	0
Amortisation and impairment losses end of year	**(2.166)**	**0**
Carrying amount end of year	**1.679**	**87.677**

Development projects
Development projects relate to the development of products for monitoring of Epilepsy and Diabetes patients. The costs of the development projects comprise salaries, external consultant costs and other external costs that are directly and indirectly attributable to the development projects. The recognition of development costs is based on the actual progress of the projects, measured based on internal time registrations and achieved milestones. The development projects are progressing as planned.

	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment	
Cost beginning of year	88
Additions	701
Cost end of year	**789**
Depreciation and impairment losses beginning of year	(21)
Depreciation for the year	(29)
Depreciation and impairment losses end of year	**(50)**
Carrying amount end of year	**739**

Notes

7. Contingent liabilities

The Company has entered into operating leases with an average annual lease payment of DKK 148 thousand. The leases have a residual maturity of 41 months and a total lease payment of DKK 568 thousand.

The company has entered into contractual obligations regarding the lease of premises corresponding to DKK 128 thousand.

The Company participates in a Danish joint taxation arrangement where T&W Medical A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

T&W Medical A/S, Nymøllevej 6, 3450 Lynge

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

The financial year has been extended to 30 September 2019 meaning that the income statement covers a period 1 May 2018 – 30 September 2019. The change is subject to a change at Parent level. The comparison figures covers a period of 12 months, 1 May 2017 – 30 April 2018.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for distribution, premises and administration.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods consists of costs of raw materials.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Accounting policies

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Treasury shares
Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.