



UNEEG Medical A/S

Nymøllevej 6
3540 Lyngø
CVR No. 29140774

Annual report 01.10.2019 - 30.09.2020

The Annual General Meeting adopted the
annual report on 11.12.2020

Søren Erik Westermann

Chairman of the General Meeting

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Entity details

Entity

UNEEG Medical A/S

Nymøllevej 6

3540 Lyngø

CVR No.: 29140774

Registered office: Lyngø

Financial year: 01.10.2019 - 30.09.2020

Board of Directors

Søren Erik Westermann, Chairman

Lars Nørgaard

Philip Just Larsen

Richard Tøpholm

Henning Beck-Nielsen

Peter Willems-Alnø

Executive Board

Torben Sandgren

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

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 01.10.2019 - 30.09.2020.

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 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020.

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, 11.12.2020

Executive Board

Torben Sandgren

Board of Directors

Søren Erik Westermann
Chairman

Lars Nørgaard

Philip Just Larsen

Richard Tøpholm

Henning Beck-Nielsen

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 01.10.2019 - 30.09.2020, 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 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020 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.

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.

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, 11.12.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant

Identification No (MNE) mne33276

Management commentary

Primary activities

The Company's main activities consist of development and commercialization of active implantable devices and other EEG-/neurological medical devices strongly supported by the granted CE mark (April 2019) for its first product under the trademark UNEEG 24/7 SubQ™ - an EEG recording device for epilepsy. Further, the Company has been able to launch a complete UNEEG Solution for the physicians as the Company has co-developed a unique two-channel epilepsy seizure counting software based on data and algorithms from Austrian Institute of Technology in Vienna, Austria. The product software is marketed under the private label "UNEEG EpiSight™".

In this Financial Year, the Company faced commercial setbacks due to the COVID-19 situation shortly after its largest clinical publication in November 2019 realizing that several neurology hospital accounts were forced to postpone their ordinary non-COVID-19 day surgery as well as research-oriented procedures now allocating all possible resources and competences to fight COVID-19. Meanwhile, the Company experienced a commercial re-opening in the last quarter of the Financial Year (August-September) thereby re-igniting the pending commercial and clinical research activities in countries such as for example UK, Holland and Germany; activities which will be materialized in Fiscal Year 2020/21.

Supporting the Company's strategic objective, which is entering USA, the Company has recently received USA's 'Food and Drug Administration' (FDA) approval of an Investigational Device Exemption (IDE) to begin clinical trial enrolment of its UNEEG' 24/7 EEG SubQ and UNEEG EpiSight Seizure Counter solution. The trial will include four or more highly accredited and recognized medical universities; two in the USA and two or more in Europe.

FDA requires a local set-up in the USA. Consequently, the Company has opened its first subsidiary in 2020 - UNEEG Medical US Inc. - in Lisle, IL, now managing the US Agent requirement.

Development in activities and finances

Gross loss for the year amounts to DKK 32.356 thousand compared to DKK 12.965 thousand last year. The ordinary result after tax amounts to a loss of DKK 68.500 thousand against DKK 34.277 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.

As the Company develops and is now a fully commercial organization, we have taken ownership of our business systems and administration such as Finance and HR which previously was outsourced while the Company was purely a R&D company.

The results for 2019/20 cover a period of 12 months and are not comparable to last fiscal year (2018/19) which covered 17 months.

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 2019/20 R&D costs of DKK 21 million has been capitalized as development projects against DKK 67 million last year. The significant decline is solely contributed to a onetime purchase of development activities last year from an affiliated company.

Further, the Company has increased its number of employees with net 12 due to a transition of employees to and from an affiliated company mainly within hardware and software competences.

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.

Income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross profit/loss		(32,356)	(12,695)
Staff costs	1	(29,681)	(25,102)
Depreciation, amortisation and impairment losses		(17,853)	(420)
Operating profit/loss		(79,890)	(38,217)
Other financial income	2	6	3
Other financial expenses	3	(11,583)	(6,233)
Profit/loss before tax		(91,467)	(44,447)
Tax on profit/loss for the year	4	22,967	10,170
Profit/loss for the year		(68,500)	(34,277)
Proposed distribution of profit and loss			
Retained earnings		(68,500)	(34,277)
Proposed distribution of profit and loss		(68,500)	(34,277)

Balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	6	68,903	0
Acquired intangible assets		1,246	1,679
Development projects in progress	6	22,933	87,677
Intangible assets	5	93,082	89,356
Other fixtures and fittings, tools and equipment		1,217	739
Property, plant and equipment	7	1,217	739
Fixed assets		94,299	90,095
Manufactured goods and goods for resale		2,228	2,853
Inventories		2,228	2,853
Trade receivables		965	327
Other receivables		6,502	13,037
Income tax receivable		48,717	24,905
Prepayments		344	137
Receivables		56,528	38,406
Cash		4,524	3,648
Current assets		63,280	44,907
Assets		157,579	135,002

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		2,388	2,388
Reserve for development expenditure		71,632	68,388
Retained earnings		(202,161)	(130,417)
Equity		(128,141)	(59,641)
Deferred tax		20,529	19,683
Provisions		20,529	19,683
Payables to group enterprises		242,661	107,943
Non-current liabilities other than provisions		242,661	107,943
Trade payables		2,613	658
Payables to group enterprises		10,306	62,240
Other payables		9,611	4,119
Current liabilities other than provisions		22,530	67,017
Liabilities other than provisions		265,191	174,960
Equity and liabilities		157,579	135,002
Contingent liabilities	8		
Group relations	9		

Statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2,388	68,388	(130,417)	(59,641)
Transfer to reserves	0	3,244	(3,244)	0
Profit/loss for the year	0	0	(68,500)	(68,500)
Equity end of year	2,388	71,632	(202,161)	(128,141)

Notes

1 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	25,389	22,107
Pension costs	2,375	1,841
Other social security costs	206	215
Other staff costs	1,711	939
	29,681	25,102
Average number of full-time employees	39	25

2 Other financial income

	2019/20 DKK'000	2018/19 DKK'000
Other interest income	1	3
Exchange rate adjustments	5	0
	6	3

3 Other financial expenses

	2019/20 DKK'000	2018/19 DKK'000
Financial expenses from group enterprises	11,539	6,210
Other interest expenses	44	17
Exchange rate adjustments	0	6
	11,583	6,233

4 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	(23,813)	(24,905)
Change in deferred tax	846	14,821
Adjustment concerning previous years	0	(86)
	(22,967)	(10,170)

5 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	3,845	87,677
Transfers	86,129	0	(86,129)
Additions	0	0	21,385
Cost end of year	86,129	3,845	22,933
Amortisation and impairment losses beginning of year	0	(2,166)	0
Amortisation for the year	(17,226)	(433)	0
Amortisation and impairment losses end of year	(17,226)	(2,599)	0
Carrying amount end of year	68,903	1,246	22,933

6 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.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	789
Additions	672
Cost end of year	1,461
Depreciation and impairment losses beginning of year	(50)
Depreciation for the year	(194)
Depreciation and impairment losses end of year	(244)
Carrying amount end of year	1,217

8 Contingent liabilities

The Company has entered into operating leases with an average annual lease payment of DKK 188 thousand. The leases have a residual maturity of 50 months and a total lease payment of DKK 371 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.

9 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.

Non-comparability

The results for 2019/20 cover a period of 12 months and are not comparable to last fiscal year (2018/19) which covered 17 months.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

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.

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 group enterprises. 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.

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.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are mortised 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.

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
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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.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.