



SAVARA

Pharmaorigin ApS

Slotsmarken 17, 1 th.
2970 Hørsholm

CVR 29178291

Annual Report

2019

The Annual Report has been presented and adopted at the general meeting 27/5 2020


Lena Erichsen

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MANAGEMENT'S REPORT

The Executive Management has today considered and adopted the Annual Report of Pharmaorigin ApS for the period 1 January to 31 December 2019.

The Annual Report is prepared in accordance with The Danish Financial Statement Act.

In my opinion, the Financial Statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and the result of operations for the period 1 January to 31 December 2019.

I am of the opinion that management commentary includes a fair description of the issues dealt with.

I recommend the Annual Report to be adopted at the Annual General Meeting.

Hørsholm, 27th May 2020



Robert Neville
CEO

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pharmaorigin ApS

Opinion

We have audited the financial statements of Pharmaorigin ApS for the financial year 1 January to 31 December 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics) 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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, and, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise due to 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 international standards on auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response 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 the 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 the management.
- Conclude on the appropriateness of the management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures in the notes, and whether the financial statements reflect the underlying transactions and events in a manner that present a 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 the 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 express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

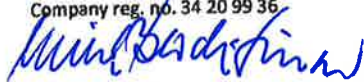
Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management commentary is in accordance with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Acts. We did not discover any material misstatement in the management commentary.

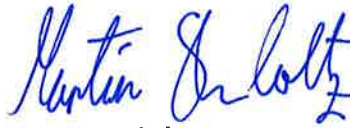
Copenhagen, 27th May 2020

Grant Thornton

Statsautoriseret Revisionspartnerselskab
Company reg. no. 34 20 99 36



Ulrik Bloch-Sørensen
State Authorised Public Accountant
mne2913



Martin Bomholtz
State Authorised Public Accountant
mne34117

MANAGEMENT COMMENTARY

Pharmaorigin ApS is a 100% owned subsidiary of Savara ApS and part of the Savara Inc. group. Savara Inc. is a U.S.-based emerging pharmaceutical development company. The company is focused on advancing Inhalation therapies for the treatment of patients with rare pulmonary conditions.

REVIEW OF ACTIVITIES AND FINANCIAL STATUS DURING 2019

Pharmaorigin ApS has one development study F7. There has been no activity in this study since the company was bought by Savara Inc. medio 2016. No decision has yet been taken regarding the future of the study.

The result of the year 2019 was a profit of DKK 18 t.kr. Total company assets DKK 1.1 million and equity DKK 1.1 million as of 31 December 2019.

PROSPECT FOR THE FUTURE

We do not expect any future activity for the F7.

Profit and Loss Account

1 January 2019 - 31 December 2019

DKK thousand	Notes	2019	2018
External expenses □		(24)	(67)
Operating profit/loss (-)		(24)	(67)
Profit/loss (-) before financials □		(24)	(67)
Net financials group companies □		43	44
Profit/loss (-) before tax □		18	(23)
Tax expenses □	3	-	-
Net profit/loss (-) □		18	(23)
DISTRIBUTION OF NET RESULT			
Net profit/loss (-) □		18	(23)
Suggestion of distribution		18	(23)
Transferred to retained earnings		18	(23)

Balance Sheet

At 31st December 2019

ASSETS

DKK thousand	Notes	2019	2018
CURRENT ASSETS			
Intercompany receivables□		1.095	1.077
Total receivables□		1.095	1.077
Total current assets		1.095	1.077
Total assets		1.095	1.077

EQUITY AND LIABILITIES

DKK thousand:	Notes	2019	2018
Equity			
Share capital□		246	246
Statutory Reserves		-	-
Retained earnings □		849	831
Total equity		1.095	1.077
Liabilities			
Total current liabilities□		-	-
Total liabilities□		-	-
Total equity and liabilities□		1.095	1.077

Notes

DKK thousand

1. CAPITAL RESOURCES

Based on a letter of support from the parent company Savara Inc, Pharmaorigin ApS has a satisfactory funding assurance until the end of 2020 to continue the operation of the company as planned.

2. ACCOUNTING POLICIES

Accounting policies applied in the preparation of the financial statements are set out below.

Basis of preparation

The Annual Report has been prepared in accordance with The Danish Financial Statements Act. for class B companies. Pharmaorigin has a satisfactory funding assurance for 2019 - thus, the annual report for 2019 has been prepared for on-going business. The financial statements are presented in DKK, reflecting the company's functional currency.

Recognition and measurement in general

The net revenue is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net revenue is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale. Recognition of value adjustments of assets and liabilities are recognised in the profit and loss account upon financial assessment.

All costs – including depreciation, amortisation, write-down, provisions, and reversals, which are due to changes in estimated amounts previously recognised in the profit and loss account – are recognised in the profit and loss account. Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

Translation of foreign currency

Operational transactions in foreign currency are translated by using the exchange rate at cost basis upon bank transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. Debtors, creditors, and other monetary items in foreign currency – not settled at the date of the balance sheet – are translated by using the period closing rate held by The Danish Central Bank. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs. Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

Notes

DKK thousand

INCOME STATEMENT

External expenses

External expenses comprise all external costs including development costs, which are not directly attributable to the Company's development of new products (capitalised costs).

Depreciation, amortization and write downs

Depreciation, amortization and write downs include write down of capitalized development cost.

Net Financials

Net financials include interest income, interest expenses on loans, and realized and unrealized exchange rate gains and losses. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax

Tax comprises the current tax for the year and the changes in deferred tax. Tax costs are recognised in the profit and loss account with the amounts concerning the fiscal year with the share referring to entries in the equity subsequently deferred tax asset.

BALANCE SHEET ITEMS

Fixed assets

Intangible fixed assets comprise development projects, patents, and licenses. Development costs comprise costs directly and indirectly attributable to development of new products from which the Company expects a future economic benefit.

All other development costs are recognised as costs in the profit and loss accounts.

Capitalised development costs are measured at cost with deduction of accrued amortisations or at the recoverable value, if this is lower.

The carrying amounts of intangible assets carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal amortisation. If that is the case, the asset is written down to the recoverable amount, which is the higher value of the net sales price and the capitalised value. Impairment losses on intangible assets are recognised under the same line item as amortisation of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

After completion of the development work, capitalised development costs are amortized on a straight-line basis over the estimated financial useful life.

Profit and loss from the realization of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale.

Notes

DKK thousand

Write-down of assets

The book values of intangible as well as tangible fixed assets are subject to annual write-down assessment in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net income deriving from the use of the asset or the group of assets. Any loss based on the write-down test is recognised in the profit and loss account under depreciation.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, write down for impairment are measured at net realisable value.

Tax

Corporate tax (less than 12 months) are recognised in the balance sheet reflecting the tax credit reimbursement installment by the Danish government.

The current tax rate is 22%.

Notes

DKK thousand

3. Tax expenses

The company's tax loss carried forward has not been recognised.

4. Contingent liabilities

Pharmaorigin ApS has no contingent liabilities as of 31st December 2019.

5. Related parties and ownership

Savara ApS, Slotsmarken 17 1 th, DK-2970 Hørsholm is recorded in the company's register of shareholders as holding more than 5% of the votes or at least 5% of the share capital.

The ultimate parent company is Savara Inc., 6836 Bee Cave Road,
Bld 3, Suite 200, Austin, Texas 78746, USA

Other related parties are other affiliated companies in the group

6. Significant events occurring after the balance sheet date

After the balance sheet date no major events have occurred which significantly affect the evaluation of the financial statements for 2019

