

Pharmaero ApS

CVR no. 32 82 79 42

Dalslandsgade 11, 2300 Copenhagen S

Annual report for 2021

Adopted at the annual general meeting on
29 March 2022

A handwritten signature in blue ink, appearing to be "A. K.", written over a horizontal line.

chairman

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Statement by management on the annual report

The Supervisory and Executive boards have today considered and adopted the Annual Report of Pharmaero ApS for the financial year January 1 - December 31, 2021.

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 December 31, 2021 and of the results of the company's operations for the financial year January 1 - December 31, 2021.

In our opinion, Management's review includes the required description and information about significant changes in the year in accordance with Danish Financial Statements Act.

Management recommends that the Annual Report should be adopted at the general meeting.

Copenhagen, 29 March 2022

Executive board



Tomas Norling

Supervisory board

Markus Puusepp
chairman



Aleksandar Danilovski

Carl-Ake Carlsson

Robert Irish

Mikkel Lyager Olsen

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chairman

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Carl-Åke Carlsson

Mikkel Lyager Olsen

Robert Irish

Independent Auditor's Report

To the Shareholders of Pharmaero ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Pharmaero ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 misstatement in 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 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.

Independent Auditor's Report

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 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:

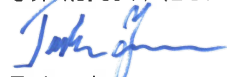
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 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 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, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

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, 29 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



Torben Jensen
State Authorised Public Accountant
mne no. 18651



Rune Vangsøe Sunesen
State Authorised Public Accountant
mne no. 47788

Company details

The company	Pharmaero ApS Dalslandsgade 11 2300 Copenhagen S
	Telephone: +4532645500
	CVR no.: 32 82 79 42
	Reporting period: January 1 - December 31
	Domicile: Copenhagen S
Supervisory board	Markus Puusepp, chairman Carl-Åke Carlsson Robert Irish Aleksandar Danilovski Mikkel Lyager Olsen
Executive board	Tomas Norling
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's review

Business activities

The activities of Pharmaero ApS are development and sales of pharmaceutical products for human use.

Business review

The company's income statement for the year ended December 31, 2021 shows a loss of TDKK 1,297, and the balance sheet at December 31, 2021 shows equity of TDKK 3,516.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement January 1 - December 31

	Note	2021 TDKK	2020 TDKK
Revenue		0	149
Gross profit		0	149
Administrative costs		-45	-549
Research and development costs		-1,221	-1,695
Operating profit/loss		-1,266	-2,095
Financial costs		-31	-34
Profit/loss before tax		-1,297	-2,129
Tax on profit/loss for the year	2	0	356
Net profit/loss for the year		-1,297	-1,773
Proposed distribution of profit			
Retained earnings		-1,297	-1,773
		-1,297	-1,773

Balance sheet December 31

	Note	2021 TDKK	2020 TDKK
Assets			
Trade receivables		0	149
Other receivables		17	124
Corporation tax		0	356
Receivables		<u>17</u>	<u>629</u>
Cash at bank and in hand		<u>3,517</u>	<u>4,631</u>
Total current assets		<u>3,534</u>	<u>5,260</u>
Total assets		<u><u>3,534</u></u>	<u><u>5,260</u></u>
Equity and liabilities			
Share capital		40	40
Retained earnings		3,476	4,773
Equity	3	<u>3,516</u>	<u>4,813</u>
Trade payables		4	428
Other liabilities		14	19
Total current liabilities		<u>18</u>	<u>447</u>
Total liabilities		<u>18</u>	<u>447</u>
Total equity and liabilities		<u><u>3,534</u></u>	<u><u>5,260</u></u>

Statement of changes in equity

	Share capital	Retained earnings	Total
TDKK			
Equity at January 1, 2021	40	4,773	4,813
Net profit/loss for the year	0	-1,297	-1,297
Equity at December 31, 2021	40	3,476	3,516

	Share capital	Retained earnings	Total
TDKK			
Equity at January 1, 2020	40	6,546	6,586
Net profit/loss for the year	0	-1,773	-1,773
Equity at December 31, 2020	40	4,773	4,813

Notes

1 Accounting policies

The Annual Report of Pharmaero ApS for the period January 1 - December 31, 2021, have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises.

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

The Annual Report is presented in TDKK.

Basis of recognition and measurement

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortization, depreciation, and impairment losses, are also recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated as the historic cost less any installments and plus/less the accumulated amortization of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the Annual Report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Administrative costs

Administrative costs comprise expenses for Management, administrative staff, office expenses and depreciation.

Amortisation, depreciation and impairment losses

Amortization, depreciation, and impairment losses comprise the year's amortization, depreciation and impairment of intangible assets and property, plant, and equipment.

Notes

1 Accounting policies

Research and development costs

Research and development costs comprise costs relating to development projects that do not qualify for recognition in the balance sheet and amortization of recognized development projects.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realized and unrealized capital/exchange gains and losses on securities and foreign currency transactions, amortization of financial mortgage loans and surcharges and allowances under the Danish Tax Prepayment Scheme.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognized in the income statement as regards the portion that relates to the profit/loss for the year.

Balance sheet

Intangible assets

Development projects

Development projects are capitalized when the development costs relate to new products or processes that are clearly defined and identifiable and the company can demonstrate a future economic benefit, the technical feasibility, sufficient resources, a future market and the intention of completing the intangible asset and ability to use or sell it as well as measure reliably the expenditure attributable to the development.

Development projects that do not fulfill these requirements are expensed.

Receivables

Receivables are measured at amortized cost.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognized as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current income tax liabilities and current income tax receivables are recognized in the balance sheet as the estimated income tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred income tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated based on the planned use of the asset and settlement of the liability, respectively.

Notes

1 Accounting policies

Deferred tax assets, including the tax value of tax loss carry forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Changes in deferred income tax due to changes to income tax rates are recognized in the income statement.

Liabilities

Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortized cost, corresponding to the capitalized value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortized cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

2 Tax on profit/loss for the year

Current tax for the year

2021	2020
TDKK	TDKK
0	-356
0	-356

Notes

3 Equity

The share capital has developed as follows:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	40	40	11,272	8,180	7,060
Additions for the year	0	0	40	3,092	1,120
Disposals for the year	0	0	-11,272	0	0
Share capital	40	40	40	11,272	8,180

4 Contingencies

The company has no contingencies or economical liabilities other than included in the financial statement and notes.

5 Related parties and ownership structure

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Xellia Pharmaceuticals ApS, Denmark, 50 %

SHL Medical AG, Switzerland, 50%