



Pharmaero ApS

CVR no. 32 82 79 42

Dalslandsgade 11, 2300 Copenhagen S

Annual report for 2020

Adopted at the annual general meeting on
22 April 2021

A handwritten signature in blue ink, appearing to read "Jens M. La".

chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Pharmaero ApS for the financial year 1 January - 31 December 2020.

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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the results of the company's operations and its financial position.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 22 April 2021

Executive board



Tomas Norling

Supervisory board



Markus Puusepp
Chairman



Aleksandar Danilovski



Carl-Ake Carlsson



Mikkel Lyager Olsen



Per Martin Linse

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 company's financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020 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 2020, which comprise income statement, balance sheet 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' 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.

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, we conclude that 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 of 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 the 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, 22 April 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



Torben Jensen
State Authorised Public Accountant
MNE no. 18651



Conrad Mattrup Lundsgaard
State Authorised Public Accountant
MNE no. 34529

Company details

The company

Pharmaero ApS
Dalslandsgade 11
2300 Copenhagen S

Telephone: +4532645500

CVR no.: 32 82 79 42

Reporting period: 1 January - 31 December

Domicile: Copenhagen S

Supervisory board

Markus Puusepp, chairman
Carl-Åke Carlsson
Per Martin Linse
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 31 December 2020 shows a loss of TDKK 1,773, and the balance sheet at 31 December 2020 shows equity of TDKK 4,813.

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 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Revenue		149	29
Gross profit		149	29
Administrative costs		-549	-740
Research and development costs		-1,695	-13,290
Profit/loss before financial income and expenses		-2,095	-14,001
Financial costs		-34	-58
Profit/loss from ordinary activities before tax		-2,129	-14,059
Profit/loss before tax		-2,129	-14,059
Tax on profit/loss for the year	2	356	1,828
Net profit/loss for the year		-1,773	-12,231
Proposed distribution of profit			
Retained earnings		-1,773	-12,231
		-1,773	-12,231

Balance sheet 31 December

	Note	2020 TDKK	2019 TDKK
Assets			
Trade receivables		149	0
Other receivables		124	959
Corporation tax		356	1,828
Receivables		629	2,787
Cash at bank and in hand		4,631	4,422
Total current assets		5,260	7,209
Total assets		5,260	7,209
Equity and liabilities			
Share capital		40	40
Retained earnings		4,773	6,546
Equity	3	4,813	6,586
Trade payables		428	595
Other payables		19	28
Total current liabilities		447	623
Total liabilities		447	623
Total equity and liabilities		5,260	7,209
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Statement of changes in equity

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

Notes

1 Accounting policies

The annual report of Pharmaero ApS for 2020 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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

The annual report for 2020 is presented in TDKK.

Basis of recognition and measurement

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

Assets are recognised 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 recognised 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 amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation 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, depreciation, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, 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 amortisation of recognised development projects.

Financial income and expenses

Financial income and expenses are recognised 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, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of financial mortgage loans and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

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 recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

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 amortised cost.

Equity

Dividends

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

Income tax and deferred tax

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

Notes

1 Accounting policies

Deferred 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 on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised 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 amortised 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 recognised 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 recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

2 Tax on profit/loss for the year

Current tax for the year

	2020	2019
	TDKK	TDKK
	-356	-1,828
	-356	-1,828

Notes

3 Equity

The share capital has developed as follows:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January 2020	40	11,272	8,180	7,060	5,212
Additions for the year	0	40	3,092	1,120	1,848
Disposals for the year	0	-11,272	0	0	0
Share capital	40	40	11,272	8,180	7,060

4 Staff

Average number of employees _____ 0 _____ 1

The Executive Management and Supervisory board receive salaries from the joint venture partners (Xellia Pharmaceuticals ApS and SHL Medical AG).

5 Contingencies

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

6 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%