



CHRISTENSEN
KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

CVR: 15 91 56 41

STORE KONGENSGADE 68
1264 KØBENHAVN K

TLF: 33 30 15 15
E-MAIL: CK@CK.DK
WEB: WWW.CK.DK

Medilet ApS

c/o Jan Quistgaard, Høje Skodsborgvej 32, 2942 Skodsborg

Company reg. no. 32 89 14 70

Annual report

1 January - 31 December 2017

The annual report has been submitted and approved by the general meeting on the 31 May 2018.

Jan Quistgaard

Chairman of the meeting

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.



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Management's report

The managing director has today presented the annual report of Medilet ApS for the financial year 1 January to 31 December 2017.

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

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Skodsborg, 31 May 2018

Managing Director

Jan Quistgaard



Independent auditor's report

To the shareholders of Medilet ApS

Opinion

We have audited the annual accounts of Medilet ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 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 below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:



Independent auditor's report

- Identify and assess the risks of material misstatement in the annual accounts, 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 the risk of not detecting a misstatement 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.



Independent auditor's report

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 31 May 2018

Christensen Kjaerulff

Company reg. no. 15 91 56 41

Iver Haugsted

State Authorised Public Accountant
MNE-nr. 10678



Company data

The company

Medilet ApS
c/o Jan Quistgaard
Høje Skodsborgvej 32
2942 Skodsborg

Company reg. no. 32 89 14 70
Established: 3 May 2010
Domicile: Rudersdal
Financial year: 1 January - 31 December

Managing Director

Jan Quistgaard

Auditors

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Store Kongensgade 68
1264 København K



Management's review

The principal activities of the company

Medilet ApS is a new activity started in June 2014 and the focus will primarily be on the formulation and development of medical device products. The Company was originally founded in 2010. In 2013 the Company was dormant.

Medilet ApS concentrates on research and development and manufacturing, aiming at products and processes that are patentable and have a broad market appeal.

The Company is today developing its first medical device system, a novel Dual Chamber Syringe, Dualat, a unique technology that is protected by worldwide patent applications and new applications will be filed during the development period with more features that will further improve the technology compared to the few dual chamber syringe products on the market. So, compared to existing technologies Dualat offers unique new benefits breaking new ground with its unusual simple and clever technology.

The market is dominated by few companies in a market to be expected to reach >\$5 billion in 2020.

The business strategy is to able alone or with a co-developer to control most aspects of the drug development efforts from product formulation, to clinical testing, regulatory submissions and manufacturing. Consequently, Medilet ApS will increasingly focus its resources on a range of dualat products securing licensing agreements with major pharmaceutical companies securing significant royalty or product revenues.

Uncertainties as to recognition or measurement

Medilet ApS is a R&D company and therefore with a built-in uncertainty about recognition and measuring of the actual and activated patent and R&D costs. All costs incurred will be carried at cost. The real value of assets for the company is not known until the company's products are closer to be finalized and ready for marketing.

Development in activities and financial matters

By extending the seed capital loan of DKK 3.3 million and a bank loan of DKK 2.675 million and the continuous refunding of development costs by a grant of DKK 2.5 million by Innovationsfonden together with the expected closing of a private placement for DKK 15 million in September 2018, Medilet has secured the product development that will lead into the first licensing agreement. Now, Medilet is negotiating with two major pharmaceutical companies for a development of products to be administered with Medilet's Dualat technology.

Capital resources

The company's equity is lost, and the company's continued operation is conditional on injections of new funding.



Profit and loss account 1 January - 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross loss	-28.288	-26
3 Staff costs	0	0
Results before tax	-28.288	-26
Tax on ordinary results	-60.119	72
Results for the year	-88.407	46
Proposed distribution of the results:		
Allocated to other statutory reserves	1.927.962	2.091
Allocated from results brought forward	-2.016.369	-2.045
Distribution in total	-88.407	46



Balance sheet 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets		
Fixed assets		
4 Acquired concessions, patents, licenses, trademarks and similar rights	3.279.964	2.174
5 Development projects in progress and prepayments for intangible fixed assets	8.356.739	7.535
Intangible fixed assets in total	<u>11.636.703</u>	<u>9.709</u>
Fixed assets in total	<u>11.636.703</u>	<u>9.709</u>
Current assets		
Other debtors	636.678	837
Debtors in total	<u>636.678</u>	<u>837</u>
Available funds	2.898	3
Current assets in total	<u>639.576</u>	<u>840</u>
Assets in total	<u>12.276.279</u>	<u>10.549</u>



Balance sheet 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

<u>Note</u>	<u>2017</u>	<u>2016</u>	
Equity and liabilities			
Equity			
6	Contributed capital	125.000	125
7	Other statutory reserves	1.927.962	2.091
8	Results brought forward	-2.106.708	-2.181
	Equity in total	-53.746	35
Provisions			
	Provisions for deferred tax	2.464.284	1.980
	Provisions in total	2.464.284	1.980
Liabilities			
	Bank debts	2.493.980	2.128
	Trade creditors	2.267.584	1.627
	Other debts	5.104.177	4.779
	Short-term liabilities in total	9.865.741	8.534
	Liabilities in total	9.865.741	8.534
	Equity and liabilities in total	12.276.279	10.549

- 1 Uncertainties concerning the enterprise's ability to continue as a going concern
- 2 Uncertainties concerning recognition and measurement



Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company's equity is lost, and the company's continued operation is conditional on injection of new funding.

Medilet has during 2017 been negotiating a private placement for DKK 15 million with potential international venture partners and is expecting to close this in October 2018.

2. Uncertainties concerning recognition and measurement

Medilet ApS is a R&D company and therefore with a built-in uncertainty about recognition and measuring of the actual and activated patent and R&D costs. All costs incurred will be carried at cost. The real value of assets for the company is not known until the company's products are closer to be finalized and ready for marketing.

	<u>2017</u>	<u>2016</u>
3. Staff costs		
Average number of employees	<u>2</u>	<u>2</u>
4. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January	2.173.554	2.174
Additions during the year	<u>1.106.410</u>	<u>0</u>
Cost 31 December	<u>3.279.964</u>	<u>2.174</u>
Book value 31 December	<u>3.279.964</u>	<u>2.174</u>
5. Development projects in progress and prepayments for intangible fixed assets		
Cost 1 January	7.535.187	5.444
Additions during the year	<u>821.552</u>	<u>2.091</u>
Cost 31 December	<u>8.356.739</u>	<u>7.535</u>
Book value 31 December	<u>8.356.739</u>	<u>7.535</u>



Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

	<u>31/12 2017</u>	<u>31/12 2016</u>
6. Contributed capital		
Contributed capital 1 January	<u>125.000</u>	<u>125</u>
	<u>125.000</u>	<u>125</u>
7. Other statutory reserves		
Provisions of the results for the year	<u>1.927.962</u>	<u>2.091</u>
	<u>1.927.962</u>	<u>2.091</u>
8. Results brought forward		
Results brought forward 1 January	-2.181.328	-136
Profit or loss for the year brought forward	<u>74.620</u>	<u>-2.045</u>
	<u>-2.106.708</u>	<u>-2.181</u>



Accounting policies used

The annual report for Medilet ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

Changes in the accounting policies used

With effect as of 1 January 2016, the company has made an implementation of the Danish law no. 738 of 1 June 2015. This implies the following changes to the recognition and measurement of:

- 1 Capitalized development costs will in future be linked to reserves under equity.

None of the above changes has any monetary effect on the profit and loss account, on the balance sheet for 2015, or on the comparative figures.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, 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.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross loss

The gross loss comprises external costs.

Other external costs comprise costs for administration.



Accounting policies used

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 10 years.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale 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. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.



Accounting policies used

Available funds

Available funds comprise cash.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

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Jan Quistgaard

Direktør

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Iver Haugsted

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