

Contera Pharma A/S

Agern Alle 24, 2970 Hørsholm

Company reg. no. 33 06 22 14

Annual report

2020

The annual report have been submitted and approved by the general meeting on 26 March 2021.

Hee-Won Yoo
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Contera Pharma A/S for the financial year 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Hørsholm, 26 March 2021

Managing Director

Thomas Nikolaj Sager

Board of directors

Hee Won Yoo

Eun Ju Kim

Jung Yoon Um

Independent auditor's report

To the shareholders of Contera Pharma A/S

Opinion

We have audited the financial statements of Contera Pharma A/S for the financial year 1 January - 31 December 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been 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 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 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, 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 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.

Independent auditor's report

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 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 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 management.
- Conclude on the appropriateness of 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents 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.

Independent auditor's report

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 the evidence 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 management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Glostrup, 26 March 2021

PKF Munkebo Vindelev

State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company information

The company	Contera Pharma A/S Agern Alle 24 2970 Hørsholm
	Company reg. no. 33 06 22 14 Established: 9 July 2010 Domicile: City of Rudersdal Financial year: 1 January - 31 December 11th financial year
Board of directors	Hee Won Yoo Eun Ju Kim Jung Yoon Um
Managing Director	Thomas Nikolaj Sager
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup
Bankers	Nordea Bank Danmark A/S, Lyngby Hovedgade 96, 2800 Kgs. Lyngby
Parent company	Bukwang Pharm. Co., LTD

Financial highlights

DKK in thousands.	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income statement:					
Gross profit	-9.725	-1.250	1.508	1.419	3.108
Profit from operating activities	-13.496	-2.178	231	-303	1.357
Net financials	-339	-8	-5	6	-8
Net profit or loss for the year	-12.259	-2.003	-968	-419	866
Statement of financial position:					
Balance sheet total	201.326	18.225	3.639	1.423	1.648
Investments in property, plant and equipment	374	0	0	0	0
Equity	194.961	17.800	3.203	1.048	1.467
Employees:					
Average number of full-time employees	4	1	2	2	2

Management commentary

The principal activities of the company

Like previous years, the principal activities is to develop new pharmaceuticals and other related activities.

Development in activities and financial matters

The gross loss for the year totals DKK -9.725.000 against DKK -1.250.000 last year. Income or loss from ordinary activities after tax totals DKK -12.259.000 against DKK -2.003.000 last year. Management considers the net profit or loss for the year satisfactory.

Events occurring after the end of the financial year

No events have occurred subsequent to the balance sheet date which would have material impact on the financial position of the company.

Accounting policies

The annual report for Contera Pharma A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the 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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Income statement

Gross loss

Gross loss comprises costs for research and development and other external costs.

Other external costs comprise costs incurred for sales, vehicles, premises and administration.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Research and development costs

Research and development costs comprise external costs for the research and development process and patent costs.

Research and development costs are recognised in the income statement in the year incurred.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, debt and transactions in foreign currency as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Patents, and licences

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Accounting policies

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible fixed assets

Tangible fixed assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-4 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounting policies

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, 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. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross loss	-9.724.551	-1.249.644
1 Staff costs	-3.720.091	-928.473
Depreciation and impairment of property, land, and equipment	-51.723	0
Operating profit	-13.496.365	-2.178.117
Other financial income	517	207
Other financial costs	-339.190	-8.423
Pre-tax net profit or loss	-13.835.038	-2.186.333
2 Tax on net profit or loss for the year	1.576.063	183.489
Net profit or loss for the year	-12.258.975	-2.002.844
Proposed appropriation of net profit:		
Allocated from retained earnings	-12.258.975	-2.002.844
Total allocations and transfers	-12.258.975	-2.002.844

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Non-current assets		
3 Patents and licenses	0	0
Total intangible assets	0	0
4 Other fixtures and fittings, tools and equipment	321.183	0
Total property, plant, and equipment	321.183	0
Total non-current assets	321.183	0
Current assets		
5 Income tax receivables	1.670.063	283.489
Other receivables	1.249.883	122.144
Prepayments and accrued income	1.865.938	7.071
Total receivables	4.785.884	412.704
Cash on hand and demand deposits	196.218.789	17.811.991
Total current assets	201.004.673	18.224.695
Total assets	201.325.856	18.224.695

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Equity and liabilities		
Equity		
Contributed capital	621.443	511.443
Retained earnings	194.339.469	17.288.444
Total equity	194.960.912	17.799.887
Liabilities other than provisions		
Trade payables	5.343.047	175.475
Other payables	1.021.897	249.333
Total short term liabilities other than provisions	6.364.944	424.808
Total liabilities other than provisions	6.364.944	424.808
Total equity and liabilities	201.325.856	18.224.695

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 January 2019	374.211	0	2.828.520	3.202.731
Cash capital increase	10.000	16.590.000	0	16.600.000
Profit or loss for the year brought forward	0	0	-2.002.844	-2.002.844
Transferred to results brought forward	0	-16.590.000	0	-16.590.000
Transferred from distributed reserves	127.232	0	0	127.232
Disposed from share premium account	0	0	16.590.000	16.590.000
Transferred to contributed capital	0	0	-127.232	-127.232
Equity 1 January 2020	511.443	0	17.288.444	17.799.887
Cash capital increase	110.000	189.310.000	0	189.420.000
Profit or loss for the year brought forward	0	0	-12.258.975	-12.258.975
Transferred to results brought forward	0	-189.310.000	0	-189.310.000
Disposed from share premium account	0	0	189.310.000	189.310.000
	621.443	0	194.339.469	194.960.912

Notes

All amounts in DKK.

	<u>2020</u>	<u>2019</u>
1. Staff costs		
Salaries and wages	3.524.921	845.188
Pension costs	78.000	78.000
Other costs for social security	5.018	3.408
Other staff costs	112.152	1.877
	<u>3.720.091</u>	<u>928.473</u>
Average number of employees	<u>4</u>	<u>1</u>
2. Tax on net profit or loss for the year		
Tax of the results for the year	<u>-1.576.063</u>	<u>-183.489</u>
	<u>-1.576.063</u>	<u>-183.489</u>
	<u>31/12 2020</u>	<u>31/12 2019</u>
3. Patents and licenses		
Cost 1 January 2020	<u>80.000</u>	<u>80.000</u>
Cost 31 December 2020	<u>80.000</u>	<u>80.000</u>
Amortisation and writedown 1 January 2020	<u>-80.000</u>	<u>-80.000</u>
Amortisation and writedown 31 December 2020	<u>-80.000</u>	<u>-80.000</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
4. Other fixtures and fittings, tools and equipment		
Cost 1 January 2020	0	0
Additions during the year	<u>373.511</u>	<u>0</u>
Cost 31 December 2020	<u>373.511</u>	<u>0</u>
Depreciation and writedown 1 January 2020	0	0
Depreciation for the year	<u>-52.328</u>	<u>0</u>
Depreciation and writedown 31 December 2020	<u>-52.328</u>	<u>0</u>
Carrying amount, 31 December 2020	<u>321.183</u>	<u>0</u>
5. Income tax receivables		
Income tax receivables 1 January 2020	283.489	-251.289
Received tax regarding previous year	-283.489	251.289
Calculated corporate tax for the present year	1.576.063	183.489
Paid tax on account for the present year	<u>94.000</u>	<u>100.000</u>
	<u>1.670.063</u>	<u>283.489</u>

6. Contingencies

Contingent assets

A deferred tax asset of t.DKK 6.269 has not been recognized due to uncertainty regarding the timeline for future usage.

Contingent liabilities

Rental liabilities

The company has entered into two tenancy agreement. The company has a rental commitment of t.DKK 260 as of 31 December 2020.