

Contera Pharma A/S

Ole Maaløes Vej 3, 2200 København N

Company reg. no. 33 06 22 14

Annual report

2019

The annual report have been submitted and approved by the general meeting on 14 May 2020.

John Bondo Hansen
Chairman of the meeting

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management's review	
Company data	5
Financial highlights	6
Management's review	7
Annual accounts 1 January - 31 December 2019	
Accounting policies used	8
Profit and loss account	12
Balance sheet	13
Notes	15

Notes:

- To ensure the greatest possible applicability of this document, British 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

The board of directors and the managing director have today presented the annual report of Contera Pharma A/S for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are 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.

København N, 14 May 2020

Managing Director

John Bondo Hansen

Board of directors

Hee Won Yoo

Sang Hoon Kim

Jung Yoon Um

Independent auditor's report

To the shareholders of Contera Pharma A/S

Opinion

We have audited the annual accounts of Contera Pharma A/S for the financial year 1 January to 31 December 2019, 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 2019 and of the results of the company's operations 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 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.

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 evaluations and maintain professional scepticism throughout the audit. We also:

- 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.

Independent auditor's report

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.

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 Statements Act. We did not find any material misstatement in the management's review.

Glostrup, 14 May 2020

PKF Munkebo Vindelev

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

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company data

The company	Contera Pharma A/S Ole Maaløes Vej 3 2200 København N
	Company reg. no. 33 06 22 14 Established: 9 July 2010 Domicile: City of Copenhagen Financial year: 1 January - 31 December 10th financial year
Board of directors	Hee Won Yoo Sang Hoon Kim Jung Yoon Um
Managing Director	John Bondo Hansen
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Profit and loss account:					
Gross profit	-1.250	1.508	1.419	3.108	445
Results from operating activities	-2.178	231	-303	1.357	-1.054
Net financials	-8	-5	6	-8	-27
Results for the year	-2.003	-968	-419	866	-1.083
Balance sheet:					
Balance sheet sum	18.225	3.639	1.423	1.648	852
Equity	17.800	3.203	1.048	1.467	601
Employees:					
Average number of full time employees	1	2	2	2	2

Management's review

The principal activities of the company

The object of the company is to develop new pharmaceuticals and other related activities.

Development in activities and financial matters

The gross loss for the year is DKK -1.250.000 against DKK 1.508.000 last year. The results from ordinary activities after tax are DKK -2.003.000 against DKK -968.000 last year. The management consider the results satisfactory.

Events subsequent to 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 used

The annual report for Contera Pharma A/S 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

The classification of the item "staff cost" has been changed so that certain types of costs that previously have been recognised under staff cost in the future are recognised under the item "other external charges".

The change in classification has no effect on the profit for the year or the balance sheet, neither for the current financial year, nor for the previous financial year. The comparative figures have been adjusted in accordance with the change of classification.

Apart from the above, the annual accounts have been prepared in accordance with the same accounting policies as last year. The annual accounts are presented in Danish kroner (DKK).

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.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

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

Accounting policies used

Translation of foreign currency

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.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Income statement

Gross loss

The gross loss comprises the net turnover, costs for research and development and other external costs.

The net turnover is recognised in the profit and loss account and includes royalty. Royalty are recognised when earned according to the limits set out in the agreement.

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

Staff costs

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

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Research and development costs

Research and development costs comprise costs, salaries and wages and depreciation directly or indirectly attributable to the consolidated research and development activities.

Research costs are recognised in the profit and loss account in the year they are incurred. Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical utilisation, 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 a connection between the costs incurred and future earnings exists. Lack of official approvals, customer approvals and other uncertainties will often imply that the requirements for recognition as an asset are not met and that development costs therefore are expensed as incurred.

Accounting policies used

Net financials

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

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

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

Patents and licences

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 5 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.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

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.

Accounting policies used

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

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.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross loss	-1.249.644	1.508.475
1 Staff costs	-928.473	-1.277.264
Operating profit	-2.178.117	231.211
Other financial income	207	747
2 Other financial costs	-8.423	-6.168
Results before tax	-2.186.333	225.790
3 Tax on ordinary results	183.489	-1.193.419
Results for the year	-2.002.844	-967.629
 Proposed distribution of the results:		
Allocated from results brought forward	-2.002.844	-967.629
Distribution in total	-2.002.844	-967.629

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Fixed assets		
4 Patents and licenses	0	0
Intangible fixed assets in total	0	0
Fixed assets in total	0	0
Current assets		
5 Receivable corporate tax	283.489	0
Other debtors	122.144	40.863
Accrued income and deferred expenses	7.071	0
Debtors in total	412.704	40.863
Available funds	17.811.990	3.597.742
Current assets in total	18.224.694	3.638.605
Assets in total	18.224.694	3.638.605

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity		
6 Contributed capital	511.443	374.211
8 Results brought forward	17.288.444	2.828.520
Equity in total	<u>17.799.887</u>	<u>3.202.731</u>
 Liabilities		
Corporate tax	0	251.289
Other debts	424.807	184.585
Short-term liabilities in total	<u>424.807</u>	<u>435.874</u>
Liabilities in total	<u>424.807</u>	<u>435.874</u>
 Equity and liabilities in total	<u>18.224.694</u>	<u>3.638.605</u>

9 Contingencies

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Salaries and wages	923.188	1.267.378
Other costs for social security	3.408	5.112
Other staff costs	1.877	4.774
	<u>928.473</u>	<u>1.277.264</u>
Average number of employees	<u>1</u>	<u>2</u>
2. Other financial costs		
Other financial costs	8.423	6.168
	<u>8.423</u>	<u>6.168</u>
3. Tax on ordinary results		
Tax of the results for the year	-183.489	490.842
Reversal of tax credit 2016 and 2017	0	702.577
	<u>-183.489</u>	<u>1.193.419</u>
	<u>31/12 2019</u>	<u>31/12 2018</u>
4. Patents and licenses		
Cost 1 January 2019	80.000	80.000
Cost 31 December 2019	<u>80.000</u>	<u>80.000</u>
Amortisation and writedown 1 January 2019	-80.000	-80.000
Amortisation and writedown 31 December 2019	<u>-80.000</u>	<u>-80.000</u>
Book value 31 December 2019	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Receivable corporate tax		
Receivable corporate tax 1 January 2019	-251.289	572.758
Adjustment of previous years' tax	0	-702.577
Paid income tax during the financial year	<u>251.289</u>	<u>0</u>
Receivable corporate tax concerning previous years	0	-129.819
Calculated corporate tax for the present year	183.489	-490.842
Paid tax on account for the present year	100.000	37.000
Paid foreign dividend tax for the present year	0	334.673
Interest	<u>0</u>	<u>-2.301</u>
	<u>283.489</u>	<u>-251.289</u>
6. Contributed capital		
Contributed capital 1 January 2019	374.211	360.211
Cash capital increase	10.000	14.000
Transferred from distributed reserves	<u>127.232</u>	<u>0</u>
	<u>511.443</u>	<u>374.211</u>
7. Share premium account		
Share premium account 1 January 2019	0	0
Share premium account for the year	16.590.000	3.108.000
Transferred to results brought forward	<u>-16.590.000</u>	<u>-3.108.000</u>
	<u>0</u>	<u>0</u>
8. Results brought forward		
Results brought forward 1 January 2019	2.828.520	688.149
Profit or loss for the year brought forward	-2.002.844	-967.629
Disposed from share premium account	16.590.000	3.108.000
Transferred to contributed capital	<u>-127.232</u>	<u>0</u>
	<u>17.288.444</u>	<u>2.828.520</u>

Notes

All amounts in DKK.

9. Contingencies

Contingent assets

A deferred tax asset of t.DKK 4,348 has not been recognized due to uncertainty regarding the timeline for future usage.

Contingent liabilities

Rental liabilities

The company has entered into a tenancy agreement with 4 months' notice. The company has a rental commitment of t.DKK 51 as of 31 December 2019.