

Contera Pharma A/S

Venlighedsvej 4, 2970 Hørsholm

Company reg. no. 33 06 22 14

Annual report

2022

The annual report have been submitted and approved by the general meeting on 31 March 2023.

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 statement

Today, the Board of Directors and the Managing Director have approved the annual report of Contera Pharma A/S for the financial year 2022.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Hørsholm, 31 March 2023

Managing Director

Thomas Nikolaj Sager

Board of directors

Hee Won Yoo

Sung Joon Kim

WooHyun Lee

Thomas Nikolaj Sager

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 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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.

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.

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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

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.

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.

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of Management's Review.

Glostrup, 31 March 2023

PKF Munkebo Vindelev

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

Thomas Funch
State Authorised Public Accountant
mne47782

Company information

The company	Contera Pharma A/S Venlighedsvej 4 2970 Hørsholm
	Company reg. no. 33 06 22 14 Established: 9 July 2010 Domicile: City of Rudersdal Financial year: 1 January - 31 December 13th financial year
Board of directors	Hee Won Yoo Sung Joon Kim WooHyun Lee Thomas Nikolaj Sager
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income statement:					
Gross loss	-44.832	-24.154	-9.725	-1.250	1.508
Profit from operating activities	-62.084	-36.392	-13.496	-2.178	231
Net financials	-285	-189	-339	-8	-5
Net profit or loss for the year	-56.868	-31.519	-12.259	-2.003	-968
Statement of financial position:					
Balance sheet total	115.743	167.213	201.326	18.225	3.639
Investments in property, plant and equipment	5.358	170	374	0	0
Equity	106.574	163.442	194.961	17.800	3.203
Employees:					
Average number of full-time employees	14	13	4	1	2

Management's review

Description of key activities of the company

Like previous years, the activities are development of new pharmaceuticals and other related activities.

Development in activities and financial matters

The gross loss for the year totals DKK -44.832.000 against DKK -24.154.000 last year. Loss from ordinary activities after tax totals DKK -56.868.000 against DKK -31.519.000 last year. Management considers the net result 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.

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, write-downs 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, other operating income, and other external costs.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

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

Staff costs

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

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Research and development costs

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

Research 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.

Accounting policies

Statement of financial position

Intangible assets

Development projects, 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.

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
Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	3-7 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.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

Accounting policies

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

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.

Prepayments

Prepayments 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.

Accounting policies

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>2022</u>	<u>2021</u>
Gross loss	-44.831.824	-24.154.460
1 Staff costs	-13.226.049	-12.111.664
Depreciation and impairment of property, land, and equipment	-4.025.813	-126.057
Operating profit	-62.083.686	-36.392.181
Other financial income	328.736	36.421
Other financial expenses	-613.381	-225.066
Pre-tax net profit or loss	-62.368.331	-36.580.826
2 Tax on net profit or loss for the year	5.500.000	5.061.995
Net profit or loss for the year	-56.868.331	-31.518.831
Proposed distribution of net profit:		
Allocated from retained earnings	-56.868.331	-31.518.831
Total allocations and transfers	-56.868.331	-31.518.831

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Assets		
Non-current assets		
3 Patent and licenses	0	0
Total intangible assets	0	0
4 Other fixtures, fittings, tools and equipment	5.302.062	364.392
Total property, plant, and equipment	5.302.062	364.392
5 Deposits	918.897	441.916
Total investments	918.897	441.916
Total non-current assets	6.220.959	806.308
Current assets		
6 Income tax receivables	5.524.436	5.183.730
Other receivables	3.272.725	920.237
Prepayments	12.211.580	415.762
Total receivables	21.008.741	6.519.729
Cash and cash equivalents	88.513.131	159.886.568
Total current assets	109.521.872	166.406.297
Total assets	115.742.831	167.212.605

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2022</u>	<u>2021</u>
Equity		
Contributed capital	621.443	621.443
Retained earnings	105.952.307	162.820.638
Total equity	<u>106.573.750</u>	<u>163.442.081</u>
Liabilities other than provisions		
Trade payables	8.373.800	1.897.697
7 Income tax payable	0	69.735
Other payables	795.281	1.803.092
Total short term liabilities other than provisions	<u>9.169.081</u>	<u>3.770.524</u>
Total liabilities other than provisions	<u>9.169.081</u>	<u>3.770.524</u>
Total equity and liabilities	<u>115.742.831</u>	<u>167.212.605</u>

8 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	621.443	194.339.469	194.960.912
Profit or loss for the year brought forward	0	-31.518.831	-31.518.831
Equity 1 January 2022	621.443	162.820.638	163.442.081
Profit or loss for the year brought forward	0	-56.868.331	-56.868.331
	621.443	105.952.307	106.573.750

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
1. Staff costs		
Salaries and wages	11.403.332	10.840.553
Pension costs	1.422.860	969.726
Other costs for social security	35.217	27.833
Other staff costs	364.640	273.552
	<u>13.226.049</u>	<u>12.111.664</u>
Average number of employees	<u>14</u>	<u>13</u>
2. Tax on net profit or loss for the year		
Tax of the results for the year	-5.500.000	-5.100.837
Adjustment of tax for previous years	0	38.842
	<u>-5.500.000</u>	<u>-5.061.995</u>
	<u>31/12 2022</u>	<u>31/12 2021</u>
3. Patent and licenses		
Cost 1 January 2022	80.000	80.000
Additions during the year	3.711.323	0
Cost 31 December 2022	<u>3.791.323</u>	<u>80.000</u>
Amortisation and write-down 1 January 2022	-80.000	-80.000
Writedown for the year	-3.711.323	0
Amortisation and write-down 31 December 2022	<u>-3.791.323</u>	<u>-80.000</u>
Carrying amount, 31 December 2022	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
4. Other fixtures, fittings, tools and equipment		
Cost 1 January 2022	543.438	373.511
Additions during the year	5.358.359	169.927
Disposals during the year	<u>-240.877</u>	<u>0</u>
Cost 31 December 2022	<u>5.660.920</u>	<u>543.438</u>
Depreciation and write-down 1 January 2022	-179.046	-52.328
Depreciation for the year	-314.490	-126.718
Reversal of depreciation, amortisation and writedown, assets disposed of	<u>134.678</u>	<u>0</u>
Depreciation and write-down 31 December 2022	<u>-358.858</u>	<u>-179.046</u>
Carrying amount, 31 December 2022	<u>5.302.062</u>	<u>364.392</u>
5. Deposits		
Cost 1 January 2022	441.916	280.129
Additions during the year	588.958	216.205
Disposals during the year	<u>-111.977</u>	<u>-54.418</u>
Cost 31 December 2022	<u>918.897</u>	<u>441.916</u>
Carrying amount, 31 December 2022	<u>918.897</u>	<u>441.916</u>
6. Income tax receivables		
Income tax receivables 1 January 2022	5.183.730	1.670.063
Received tax regarding previous year	<u>-5.183.730</u>	<u>-1.670.063</u>
Income tax receivables concerning previous years	<u>0</u>	<u>0</u>
Calculated corporate tax for the present year	5.500.000	5.131.730
Paid tax on account for the present year	<u>24.436</u>	<u>52.000</u>
	<u>5.524.436</u>	<u>5.183.730</u>

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
7. Income tax payable		
Income tax receivables 1 January 2022	69.735	0
Adjustment of previous years' tax	0	38.842
Paid corporate tax concerning last year	-69.735	0
Calculated corporate tax for the present year	<u>0</u>	<u>30.893</u>
	<u>0</u>	<u>69.735</u>

8. Contingencies

Contingent assets

A deferred tax asset of t.DKK 21.921 has not been recognized due to uncertainty regarding timeline for future usage.

Contingent liabilities

Lease liabilities

The company has entered into two leasing contracts. The leasing contracts have 27 months left to run, and the total outstanding leasing payment is t.DKK 43 as of 31 December 2022

Rental liabilities

The company has entered into a tenancy agreement. The company has a rental commitment of t.DKK as of 31 December 2022.