

PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab



Annual report 2018

Company reg. no. 33 37 32 36

Conrig Pharma ApS

Ole Maaløes Vej 3

2200 København N

The annual report have been submitted and approved by the general meeting on 8 March 2019.

John Bondo Hansen
Chairman of the meeting

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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 executive board have today presented the annual report of Conrig Pharma ApS for the financial year 1 January to 31 December 2018.

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 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

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, 8. march 2019

Executive board

John Bondo Hansen

Mikael Søndergaard Thomsen

Board of directors

John Bondo Hansen
Chairman of the board

Mikael Søndergaard Thomsen

Niels Skjærbæk

Independent auditor's report

To the shareholders of Conrig Pharma ApS

Opinion

We have audited the annual accounts of Conrig Pharma ApS for the financial year 1 January to 31 December 2018, 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 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 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 Statement Acts. We did not find any material misstatement in the management's review.

Glostrup, 8 March 2019

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

Conrig Pharma ApS
Ole Maaløes Vej 3
2200 København N

Company reg. no. 33 37 32 36
Established: 20 December 2010
Domicile: The City of Copenhagen
Financial year: 1 January - 31 December
8th financial year

Board of directors

John Bondo Hansen, Chairman of the board
Mikael Søndergaard Thomsen
Niels Skjærbæk

Executive board

John Bondo Hansen
Mikael Søndergaard Thomsen

Auditors

PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab
Hovedvejen 56
2600 Glostrup

Bankers

Nordea Bank, Lyngby Torv 2, 2800 Kgs. Lyngby

Financial highlights

DKK in thousands.	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Profit and loss account:					
Gross profit	-388	-305	-684	-89	-93
Results from operating activities	-388	-305	-684	-89	-93
Net financials	-18	-7	0	0	1
Results for the year	-398	-286	-531	-74	-81
Balance sheet:					
Balance sheet sum	97	139	273	640	209
Equity	-595	-197	90	620	94

Management's review

The principal activities of the company

The company's principal activity is developing new medical drugs and other related operations.

Development in activities and financial matters

The gross loss for the year is DKK -388.000 against DKK -305.000 last year. The results from ordinary activities after tax are DKK -398.000 against DKK -286.000 last year. The management consider the results satisfactory.

In 2018 Conrig Pharma has had a positive development. Our projects are focused on new treatments of serious respiratory disorders have been matured. It is expected that the positive development continues in 2019 by establishing collaborations that will secure initiation of the clinical development of our lead project ST-015.

There is a considerable unmet need for new efficacious and safe treatments of serious respiratory disorders, and it is expected, that there will be considerable interest in ST-015 and other Conrig Pharma projects, provided that positive data can be produced.

The company has lost more than 50 % of the equity and is thereby included in the regulation of the Danish Company Act. art. 119. It is the managements' expectation, that the share capital will be reestablished by capital increase or future earnings.

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 Conrig Pharma 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.

The accounting policies used are unchanged compared to last year, and 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.

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.

Accounting policies used

THE PROFIT AND LOSS ACCOUNT

Gross loss

The gross loss comprises other external costs and research and development costs.

Other operating income comprises accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for administration.

Research and development costs

Research and development costs comprise costs that directly or indirectly attributable to the consolidated research and development activities.

Net financials

Net financials comprise interest. Financial income and expenses are recognised in the profit and loss account with the amounts that concern 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 company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

THE BALANCE SHEET

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.

Available funds

Available funds comprise cash at bank.

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>2018</u>	<u>2017</u>
Gross loss	-387.513	-304.565
Other financial income	24	4
Other financial costs	-17.700	-6.541
Results before tax	-405.189	-311.102
1 Tax on ordinary results	7.158	24.765
Results for the year	-398.031	-286.337
Proposed distribution of the results:		
Allocated from results brought forward	-398.031	-286.337
Distribution in total	-398.031	-286.337

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2018</u>	<u>2017</u>
Current assets		
Other debtors	27.275	10.292
Debtors in total	27.275	10.292
Available funds	69.730	128.365
Current assets in total	97.005	138.657
Assets in total	97.005	138.657

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
	Equity		
2	Contributed capital	123.802	123.802
3	Results brought forward	-718.373	-320.342
	Equity in total	<u>-594.571</u>	<u>-196.540</u>
	 Liabilities		
	Debt to group enterprises	421.908	192.632
	Other debts	269.668	142.565
	Short-term liabilities in total	<u>691.576</u>	<u>335.197</u>
	Liabilities in total	<u>691.576</u>	<u>335.197</u>
	 Equity and liabilities in total	<u>97.005</u>	<u>138.657</u>

4 Contingencies

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
1. Tax on ordinary results		
Tax of the results for the year	-7.158	-24.765
	<u>-7.158</u>	<u>-24.765</u>
	<u>31/12 2018</u>	<u>31/12 2017</u>
2. Contributed capital		
Contributed capital 1 January 2018	123.802	123.802
	<u>123.802</u>	<u>123.802</u>
The share capital consists of 82.535 A-shares and 41.267 B-shares, each with a nominal value of DKK 1.		
3. Results brought forward		
Results brought forward 1 January 2018	-320.342	-34.005
Profit or loss for the year brought forward	-398.031	-286.337
	<u>-718.373</u>	<u>-320.342</u>

4. Contingencies

Contingent assets

The company has not recognized a deferred tax asset of t.DKK 551 due to uncertainty regarding for future usage.

Joint taxation

Concicit Pharma Holding ApS, company reg. no 33 06 13 74, being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

The jointly taxed companies total known net liability to Skattestyrelsen is shown in the annual report for the administration company.