

Var2 Pharmaceuticals ApS

c/o Cobis A/S, Ole Maaløes Vej 3, 2200 København N

Company reg. no. 34 62 19 42

Annual report

2019

The annual report has been submitted and approved by the general meeting on 2 May 2020.

Ali El-Salanti
Chairman of the meeting

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management commentary	
Company information	5
Financial highlights	6
Management commentary	7
Financial statements 1 January - 31 December 2019	
Accounting policies	8
Income statement	12
Statement of financial position	13
Notes	15

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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

Today, the board of directors and the executive board have presented the annual report of Var2 Pharmaceuticals ApS for the financial year 2019 of Var2 Pharmaceuticals ApS.

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 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

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.

København N, 29 April 2020

Executive board

Ali El-Salanti

Mads Daugaard

Board of directors

Mads Daugaard
Chairman

Peter Schröcksnadel

Poul Henrik Bredahl Sørensen

Ali El-Salanti

Thor Grundtvig Theander

Independent auditor's report

To the shareholders of Var2 Pharmaceuticals ApS

Opinion

We have audited the financial statements of Var2 Pharmaceuticals ApS for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position 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 2019 and of the results of the company's activities for the financial year 1 January - 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 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.

Independent auditor's report

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.

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.

Independent auditor's report

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 and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

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, 29 April 2020

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	Var2 Pharmaceuticals ApS c/o Cobis A/S Ole Maaløes Vej 3 2200 København N Company reg. no. 34 62 19 42 Established: 1 June 2012 Domicile: The City of Copenhagen Financial year: 1 January - 31 December 8th financial year
Board of directors	Mads Daugaard, Chairman Peter Schröcksnadel Poul Henrik Bredahl Sørensen Ali El-Salanti Thor Grundtvig Theander
Executive board	Ali El-Salanti Mads Daugaard
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup
Bankers	Danske Bank, Holmens Kanal 2, 1090 København K
Parent company	Oncomal ApS

Financial highlights

DKK in thousands.	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income statement:					
Gross profit	-4.730	-1.958	-3.958	-1.633	-654
Profit from ordinary operating activities	-8.251	-4.846	-5.589	-2.365	-824
Net financials	-24	52	-17	-8	-25
Net profit or loss for the year	-6.851	-3.968	-4.379	-1.857	-770
Statement of financial position:					
Balance sheet total	51.106	56.506	14.193	10.172	3.645
Equity	48.290	55.141	13.660	9.855	3.533
Employees:					
Average number of full-time employees	8	6	3	0	0

Management commentary

The principal activities of the company

The company is founded to directly or indirectly through ownership of other companies, develop products for diagnosis and treatment of cancer or related activities.

Development in activities and financial matters

The gross loss for the year totals DKK -4.730.000 against DKK -1.958.000 last year. Income or loss from ordinary activities after tax totals DKK -6.851.000 against DKK -3.968.000 last year. Management considers the net profit or loss for the year satisfactory.

The management considers the 2019 results satisfactory. All activities in 2019 were executed according to the plan and vision of the company. In the main project (rVAR2 Drug conjugate), the research focus was targeted against further improvement of performance of the so-called linker region of the molecule and on optimising the pharmacokinetic properties of the rVAR2 molecule. Further improvement in the protein production process has been achieved; improving yield, reducing sub-optimal process steps to render the process scalable and transferable to GMP production. On the business side it is notable that two formal and strategically important feasibility projects with European biotech companies have been initiated. The results of these project are expected in 2020 and will serve as the basis for negotiation for continued collaborations.

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 Var2 Pharmaceuticals ApS 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.

Changes in the accounting policies

The item "Staff costs" has been reclassified so that certain types of expenses previously recognised under "Staff costs" will, in the future, be recognised under the item "Other external charges".

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

Except for the above, the accounting policies for the financial statements remain unchanged from last year.

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.

Accounting policies

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

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.

Income statement

Gross loss

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

Research and development costs comprise of external costs for research and development activities.

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.

Other external costs comprise costs for sales, 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.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

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

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

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

Statement of financial position

Investments

Equity investment in group enterprise

Equity investment in group enterprise is measured at cost. If the recoverable amount is lower than the cost, writedown for impairment is done to match this lower value.

Deposits

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

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

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.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium. The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with 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 receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Accounting policies

According to the rules of joint taxation, Var2 Pharmaceuticals ApS is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carry forward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Liabilities other than provisions

Other liabilities other than provisions 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>2019</u>	<u>2018</u>
Gross loss	-4.729.732	-1.958.104
1 Staff costs	-3.521.375	-2.888.104
Operating profit	-8.251.107	-4.846.208
Other financial income from group enterprises	146.649	102.085
Other financial income	12.412	83.725
Other financial costs	-183.129	-134.284
Pre-tax net profit or loss	-8.275.175	-4.794.682
2 Tax on net profit or loss for the year	1.424.371	827.038
Net profit or loss for the year	-6.850.804	-3.967.644
Proposed appropriation of net profit:		
Allocated from retained earnings	-6.850.804	-3.967.644
Total allocations and transfers	-6.850.804	-3.967.644

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Non-current assets		
3 Concessions, patents, licenses, trademarks, and similar rights acquired	0	0
Total intangible assets	0	0
4 Equity investment in group enterprise	45.000	45.000
5 Deposits	13.131	12.749
Total investments	58.131	57.749
Total non-current assets	58.131	57.749
Current assets		
Trade receivables	0	113.955
Receivables from group enterprises	5.376.852	3.661.545
Other receivables	244.804	399.436
Prepayments and accrued income	262.630	237.872
Total receivables	5.884.286	4.412.808
Cash on hand and demand deposits	45.163.404	52.035.505
Total current assets	51.047.690	56.448.313
Total assets	51.105.821	56.506.062

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity		
6 Contributed capital	100.925	100.925
7 Share premium	0	0
8 Retained earnings	48.189.545	55.040.350
Total equity	<u>48.290.470</u>	<u>55.141.275</u>
 Liabilities other than provisions		
Other payables, long term	111.427	0
9 Total long term liabilities other than provisions	<u>111.427</u>	<u>0</u>
Trade payables	1.202.174	536.303
Other payables	1.501.750	828.484
Total short term liabilities other than provisions	<u>2.703.924</u>	<u>1.364.787</u>
Total liabilities other than provisions	<u>2.815.351</u>	<u>1.364.787</u>
 Total equity and liabilities	<u>51.105.821</u>	<u>56.506.062</u>

10 Contingencies

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Salaries and wages	3.278.926	2.702.785
Pension costs	177.829	145.264
Other costs for social security	25.844	21.016
Other staff costs	38.776	19.039
	<u>3.521.375</u>	<u>2.888.104</u>
 Average number of employees	 <u>8</u>	 <u>6</u>
2. Tax on net profit or loss for the year		
Tax of the results for the year	-1.424.371	-827.038
	<u>-1.424.371</u>	<u>-827.038</u>
	 <u>31/12 2019</u>	 <u>31/12 2018</u>
3. Concessions, patents, licenses, trademarks, and similar rights acquired		
Cost 1 January 2019	86.486	86.486
Cost 31 December 2019	<u>86.486</u>	<u>86.486</u>
Amortisation and writedown 1 January 2019	-86.486	-86.486
Amortisation and writedown 31 December 2019	<u>-86.486</u>	<u>-86.486</u>
 Carrying amount, 31 December 2019	 <u>0</u>	 <u>0</u>
4. Equity investment in group enterprise		
Acquisition sum, opening balance 1 January 2019	45.000	45.000
Additions during the year	0	0
Cost 31 December 2019	<u>45.000</u>	<u>45.000</u>
 Carrying amount, 31 December 2019	 <u>45.000</u>	 <u>45.000</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Deposits		
Cost 1 January 2019	12.749	12.378
Additions during the year	<u>382</u>	<u>371</u>
Cost 31 December 2019	<u>13.131</u>	<u>12.749</u>
Carrying amount, 31 December 2019	<u>13.131</u>	<u>12.749</u>
6. Contributed capital		
Contributed capital 1 January 2019	100.925	95.607
Cash capital increase	<u>0</u>	<u>5.318</u>
	<u>100.925</u>	<u>100.925</u>
7. Share premium		
Share premium account for the year	0	45.443.454
Transferred to results brought forward	<u>0</u>	<u>-45.443.454</u>
	<u>0</u>	<u>0</u>
8. Retained earnings		
Retained earnings 1 January 2019	55.040.350	13.564.540
Profit or loss for the year brought forward	-6.850.805	-3.967.644
Transferred from share premium to results brought forward	<u>0</u>	<u>45.443.454</u>
	<u>48.189.545</u>	<u>55.040.350</u>

Notes

All amounts in DKK.

9. Liabilities

	Total payables 31 Dec 2019	Current portion of long term payables	Long term payables 31 Dec 2019	Outstanding payables after 5 years
Other payables, long term	111.427	0	111.427	0
	111.427	0	111.427	0

10. Contingencies

Contingent assets

A deferred tax asset of t.DKK 904 has not been recognised due to uncertainty regarding future usage.

Contingent liabilities

Rental liabilities

The company has entered into two tenancy agreements. The company has a rental commitment of t. DKK 207 as of 31 December 2019.

Collaborative research agreement

The company has entered into a collaborative research agreement. In the event of early termination, the company has a liability to pay all non-cancellable costs and liabilities relating to the project.

Joint taxation

Oncomal ApS, company reg. no 34 58 03 67 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.