

Galecto Biotech ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 34 87 83 66

**Annual report for the period
1 January to 31 December 2021**

Adopted at the annual general meeting on 25 March
2022

Steen Rode
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Galecto Biotech ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 25 March 2022

Executive board

Hans Schambye

Supervisory board

Hans Schambye

Jon Freve

Anders Hjelholt Pedersen

Bertil Erik Lindmark

Independent auditor's report

To the shareholders of Galecto Biotech ApS

Opinion

We have audited the financial statements of Galecto Biotech ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 the 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.

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 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.

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

Independent auditor's report

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.

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 Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 25 March 2022

EY

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian S. Johansen
State Authorised Public Accountant
MNE no. mne33234

Company details

The company	<p>Galecto Biotech ApS Ole Maaløes Vej 3 2200 Copenhagen N</p> <p>CVR no.: 34 87 83 66</p> <p>Reporting period: 1 January - 31 December 2021</p> <p>Incorporated: 3 December 2012</p> <p>Domicile: Copenhagen</p>
Primary activity	<p>The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.</p>
Supervisory board	<p>Hans Schambye Jon Freve Anders Hjelholt Pedersen Bertil Erik Lindmark</p>
Executive board	<p>Hans Schambye</p>
Auditors	<p>EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg</p>

Management's review

Business review

The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.

Financial review

The company's income statement for the year ended 31 December 2021 shows a profit of EUR 764.793, and the balance sheet at 31 December 2021 shows equity of EUR 3.668.869.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement 1 January - 31 December

	Note	2021 EUR	2020 EUR
Gross profit		9.406.910	4.883.512
Staff costs	1	-8.579.033	-4.402.507
Depreciation, amortisation and impairment of property, plant and equipment		-18.146	0
Profit/loss before net financials		809.731	481.005
Financial income	2	360.033	833.894
Financial costs	3	-204.968	-1.040.902
Profit/loss before tax		964.796	273.997
Tax on profit/loss for the year	4	-200.003	-60.279
Profit/loss for the year		764.793	213.718
Recommended appropriation of profit/loss			
Retained earnings		764.793	213.718
		764.793	213.718

Balance sheet 31 December

	Note	2021 EUR	2020 EUR
Assets			
Other fixtures and fittings, tools and equipment		178.285	0
Tangible assets	5	178.285	0
Deposits		35.464	243.942
Fixed asset investments		35.464	243.942
Total non-current assets		213.749	243.942
Receivables from group enterprises		0	857.740
Other receivables		251.867	224.618
Corporation tax	6	0	1.478.226
Prepayments		462.445	125.899
Receivables		714.312	2.686.483
Cash at bank and in hand		5.499.093	2.536.814
Total current assets		6.213.405	5.223.297
Total assets		6.427.154	5.467.239

Balance sheet 31 December

	Note	2021 EUR	2020 EUR
Equity and liabilities			
Share capital		10.704	10.704
Retained earnings		3.658.165	2.893.372
Equity		3.668.869	2.904.076
Payable to group enterprises		1.483.098	750.070
Total non-current liabilities		1.483.098	750.070
Other credit institutions		0	464
Trade payables		781.529	1.039.382
Corporation tax		55.935	0
Other payables		437.723	773.247
Total current liabilities		1.275.187	1.813.093
Total liabilities		2.758.285	2.563.163
Total equity and liabilities		6.427.154	5.467.239
Rent and lease liabilities	7		
Contingent liabilities	8		
Related parties and ownership structure	9		

Statement of changes in equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 January 2021	10.704	2.893.372	2.904.076
Net profit/loss for the year	0	764.793	764.793
Equity at 31 December 2021	10.704	3.658.165	3.668.869

Notes

	2021 EUR	2020 EUR
1 Staff costs		
Wages and salaries	5.760.248	3.788.144
Other social security costs	12.634	4.828
Other staff costs	2.806.151	609.535
	8.579.033	4.402.507
Average number of employees	29	16
2 Financial income		
Interest received from group enterprises	0	823.920
Other financial income	360.033	9.974
	360.033	833.894
3 Financial costs		
Financial expenses, group enterprises	147.275	904.800
Other financial costs	57.693	136.102
	204.968	1.040.902
4 Tax on profit/loss for the year		
Current tax for the year	55.935	0
Joint taxation contribution	144.068	60.279
	200.003	60.279

Notes

5 Tangible assets

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January 2021	0
Additions for the year	196.431
Cost at 31 December 2021	196.431
Impairment losses and depreciation at 1 January 2021	0
Depreciation for the year	18.146
Impairment losses and depreciation at 31 December 2021	18.146
Carrying amount at 31 December 2021	178.285

6 Corporation tax

In prior years, as a practice, the Danish tax authorities paid the Group's corporation tax receivable to Galecto Biotech ApS. For the income year 2021, the Danish tax authorities will pay the Group's corporation tax receivable to Galecto Biotech AB. For this reason, the Group's tax receivable under the Danish R&D tax credit scheme is no longer recognized in the annual report of Galecto Biotech ApS.

Notes

	<u>2021</u> EUR	<u>2020</u> EUR
7 Rent and lease liabilities		
Operating lease liabilities.		
Total future lease payments:		
Liabilities under rental or lease agreements until maturity in total	<u>793.656</u>	<u>656.980</u>
	<u>793.656</u>	<u>656.980</u>

8 Contingent liabilities

The company is jointly taxed with its parent company, Galecto Biotech AB (administrative company for the joint taxation), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

9 Related parties and ownership structure

Galecto Biotech AB
Ole Maaløes Vej 3
2200 Copenhagen N

Galecto Biotech AB owns a 100% interest in Galecto Biotech ApS.

Galecto Biotech ApS is included in the Consolidated Financial Statement of Galecto, Inc.
The Consolidated Financial Statements can be obtained on the following addresses:

Galecto, Inc., Ole Maaløes Vej 3, 2200 København N.

Accounting policies

The annual report of Galecto Biotech ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2021 is presented in EUR.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit/loss

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and other operating income less direct costs and other external expenses.

Revenue

Revenue comprising income from research and development services provided by Galecto Biotech ApS to related parties, is recognised as the services are provided.

Accounting policies

Directs costs

Directs costs include the direct attributable costs used in generating the year's revenue.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external costs also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities. Staff costs also include shared based compensation that is issued by Galecto, Inc. Shared based compensation is measured at estimated fair value and is included as compensation expense over the vesting period during which service is provided in exchange for the award. In the balance sheet, shared based compensation is recognised under group receivables or payables with Galecto, Inc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year.

The company is jointly taxed with Galecto Biotech AB. In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

In prior years, as a practice, the Danish tax authorities paid the Group's corporation tax receivable to Galecto Biotech ApS. For the income year 2021, the Danish tax authorities will pay the Group's corporation tax receivable to Galecto Biotech AB. For this reason, the Group's tax receivable under the Danish R&D tax credit scheme is no longer recognized in the annual report of Galecto Biotech ApS.

Accounting policies

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5-7 years
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Galecto capitalizes costs related to purchase of equipment above EUR 22,000 per individual piece of equipment.

Receivables

Receivables are measured at amortised cost.

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised under group receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Liabilities

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.