

Avilex Pharma ApS

Ole Maaløes Vej 3, 2200 København N
CVR no. 34 89 68 28

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 27.04.22

Kristian Strømgaard
Dirigent

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The company

Avilex Pharma ApS
Ole Maaløes Vej 3
2200 København N
Registered office: København
CVR no.: 34 89 68 28
Financial year: 01.01 - 31.12

Executive Board

CEO Kristian Strømgaard

Board of Directors

Raymond George Hill
Jonathan Mark Treherne
Morten Døssing
Kristian Strømgaard

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Avilex Pharma ApS.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, April 27, 2022

Executive Board

Kristian Strømgaard
CEO

Board of Directors

Raymond George Hill
Chairman

Jonathan Mark Treherne

Morten Døssing

Kristian Strømgaard

To the capital owner of Avilex Pharma ApS**Opinion**

We have audited the financial statements of Avilex Pharma ApS for the financial year 01.01.21 - 31.12.21, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.21 and of the results of the company's operations for the financial year 01.01.21 - 31.12.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

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 "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.

Statement regarding the 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 Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the 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 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 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 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.

Soeborg, Copenhagen, April 27, 2022

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Ole Skou

State Authorized Public Accountant
MNE-no. mne15007

Primary activities

The company's activities comprise to the development of novel drug candidates for the treatment of stroke and other neurodegenerative conditions, as well as any activity related thereto as determined by the Board of Directors.

Development in activities and financial affairs

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK -6,611,177 against DKK -3,041,705 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK -25,260,470.

The management considers the net profit for the year to be satisfactory and as expected due to the continued investment in pre-clinical development.

The company has lost more than half of its share capital and is therefore subject to the capital loss provisions of the Companies Act. It is management's expectation to rebuild the capital through future earnings.

Information on going concern

In the first quarter of 2022 the management has entered into an agreement to commercialize the patent owned by Avilex Pharma ApS which improves the financial position significantly.

Income statement

Note		2021 DKK	2020 DKK
	Research costs	-7,472,186	-9,540,696
	Administration costs	-3,199,042	-901,653
	Other operating income	1,987,300	7,309,700
	Operating loss	-8,683,928	-3,132,649
3	Financial income	9,693	84,219
4	Financial expenses	-951,598	-929,254
	Loss before tax	-9,625,833	-3,977,684
5	Tax on loss for the year	3,014,656	935,979
	Loss for the year	-6,611,177	-3,041,705
Proposed appropriation account			
	Retained earnings	-6,611,177	-3,041,705
	Total	-6,611,177	-3,041,705

ASSETS		31.12.21	31.12.20
		DKK	DKK
Note			
	Deferred tax asset	2,005,667	634,891
	Income tax receivable	1,643,880	871,410
	Other receivables	604,751	300,318
	Prepayments	64,224	59,307
	Total receivables	4,318,522	1,865,926
	Cash	598,077	7,509,063
	Total current assets	4,916,599	9,374,989
	Total assets	4,916,599	9,374,989

EQUITY AND LIABILITIES		31.12.21	31.12.20
		DKK	DKK
Note			
	Share capital	408,686	408,686
	Retained earnings	-25,669,156	-19,057,979
	Total equity	-25,260,470	-18,649,293
6	Convertible and profit-sharing debt instruments	27,398,815	25,584,304
	Total long-term payables	27,398,815	25,584,304
	Payables to other credit institutions	502	31,272
	Trade payables	2,567,842	1,278,723
	Payables to group enterprises	0	570,322
	Other payables	209,910	559,661
	Total short-term payables	2,778,254	2,439,978
	Total payables	30,177,069	28,024,282
	Total equity and liabilities	4,916,599	9,374,989

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.21 - 31.12.21			
Balance as at 01.01.21	408,686	-19,057,979	-18,649,293
Net profit/loss for the year	0	-6,611,177	-6,611,177
Balance as at 31.12.21	408,686	-25,669,156	-25,260,470

The company has lost more than half of its share capital and is therefore subject to the capital loss provisions of the Companies Act. It is management's expectation to rebuild the capital through future earnings.

Within the lastest 5 years, the following changes in the share capital have taken place:
Cash capital increase December 21 2018 with 125.000 A-shares, each with a nominal value of DKK 1.

1. Information as regards going concern

The management has in the first quarter of 2022 entered into an agreement to commercialize the patent owned by Avilex Pharma ApS which improves the financial position significantly.

2. Employee aspects

Average number of employees during the year	2	4
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3. Financial income

Foreign currency translation adjustments	9,693	84,219
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4. Financial expenses

Other interest expenses	929,360	917,217
Foreign currency translation adjustments	22,238	12,037
Total	951,598	929,254

5. Tax on loss for the year

Tax on profit or loss for the year	-1,643,880	-871,410
Adjustment of deferred tax for the year	-1,370,776	-634,891
Adjustment of tax in respect of previous years	0	570,322
Total	-3,014,656	-935,979

6. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.21	Total payables at 31.12.20
Convertible and profit-sharing debt instruments	0	0	27,398,815	25,584,304
Total	0	0	27,398,815	25,584,304

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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 depreciation, amortisation, impairment losses and write-downs, 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 such assets 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 such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

INCOME STATEMENT

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised

7. Accounting policies - continued -

under production costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

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, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent

7. Accounting policies - continued -

financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Current 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.

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

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.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.