

# Defensin Therapeutics ApS

COBIS, Ole Maaløes Vej 3, 2200 Copenhagen N


CVR no. 35 51 32 80

## Annual report

for the year 1 January - 31 December 2020

Approved at the Company's annual general meeting on 26 May 2021

Chair of the meeting:

  
.....  
Peter Hviid Nordkild





## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Defensin Therapeutics ApS for the financial year 1 January - 31 December 2020.

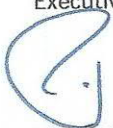
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 26 May 2021  
Executive Board:



Peter Hviid Nordkild

### Board of Directors:



Ejner Bech Jensen  
Chair



Robert Enehalt



Matthew Alister Cooper



Søren Neve



Peter Hviid Nordkild

## Independent auditor's report

To the shareholders of Defensin Therapeutics ApS

### Opinion

We have audited the financial statements of Defensin Therapeutics ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 as to 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 the 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.

## Independent auditor's report

- ▶ 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 26 May 2021  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Rasmus Bloch Jespersen  
State Authorised Public Accountant  
mne35503



Anders Roe Eriksen  
State Authorised Public Accountant  
mne46667

## Management's review

### Company details

Name	Defensin Therapeutics ApS
Address, Postal code, City	c/o COBIS COBIS, Ole Maaløes Vej 3, 2200 Copenhagen N
CVR no.	35 51 32 80
Established	6 October 2013
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	<a href="http://www.defensintherapeutics.com/">www.defensintherapeutics.com/</a>
E-mail	<a href="mailto:pno@defensintherapeutics.com">pno@defensintherapeutics.com</a>
Telephone	+45 25 47 16 46
Executive Board	Peter Hviid Nordkild
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank Finanscenter København, Holmens Kanal 2, 1090 Copenhagen K

## Management's review

### Business review

Defensin Therapeutics is a Danish biopharmaceutical company incorporated 6 October 2013 as a spin out from Novozymes A/S of the human defensin development program.

In April 2016, the Company signed a license and R&D agreement with Dr Falk Pharma GMBH (dated 15 April 2016) regarding the rights to develop, manufacture and market hBD-2 in Europe and Australia. In connection with the completion of the agreement, the Company received a non-refundable upfront payment of EUR 1.5m in 2016. The production of hBD-2 has turned out to be more complicated than originally thought and Falk has thus decided to terminate the agreement as per March 12th 2020.

### Financial review

The income statement for 2020 shows a loss of DKK 2,315,678 against a loss of DKK 1,721,113 last year, and the balance sheet at 31 December 2020 shows equity of DKK 2,507,500.

### Going concern

At 31 December 2020, cash balance amounts to DKK 2,596 thousand. Management expects that the cash burn for 2021 will be approximately DKK 1,500 thousand and thus not exceed the cash available at 31 December 2020. Management has presented the financial statements on a going concern assumption.

### Research and development activities

Defensin Therapeutics focuses on the development and commercialization of human defensins for the treatment of diseases and conditions associated with dysregulation of the human microbiota.

The human microbiota is the name for the bacterial communities consisting of billions of commensal micro organisms that cover the body's different surfaces e.g. the skin, the lung surface, the gastrointestinal tract, etc. Our body lives in a symbiotic relationship with the microbiota. The microbiota plays a vital role in regulating our health. Alterations in the composition or function of the microbiota have been associated with more than 25 diseases. Whereas research efforts hitherto have focused on identifying the individual micro organisms constituting the microbiota, Defensin Therapeutics focuses on the regulation of the human microbiota.

Human defensins are cationic peptides secreted on the bodily surfaces as part of the innate immune system to kill invading pathogens while allowing commensal bacteria on which many metabolic processes depend to live in peace. One of the best characterized dysbiotic conditions of the gut is Crohn's Disease. Crohn's seems to be a mucosal barrier disease in which the patients seem to lack the ability to produce defensins.

Defensin Therapeutics have established proof of concept in inflammatory bowel disease, asthma; metabolic syndrome; Graft-versus-host disease and necrotizing enterocolitis with oral administration of hBD-2.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

Management is exploring the possibility for a strategic cooperation within non-pharma applications of human defensins.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2020	2019
	Administrative expenses	-112,048	-179,703
	Operating profit/loss	-112,048	-179,703
5	Research and development costs	-2,189,210	-1,654,069
	Profit/loss before net financials	-2,301,258	-1,833,772
	Financial expenses	-23,459	-18,881
	Profit/loss before tax	-2,324,717	-1,852,653
2	Tax for the year	9,039	131,540
	Profit/loss for the year	-2,315,678	-1,721,113
	Recommended appropriation of profit/loss	-2,315,678	-1,721,113
	Retained earnings/accumulated loss	-2,315,678	-1,721,113



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2020	2019
	<b>ASSETS</b>		
	Current assets		
	Income taxes receivable	9,039	131,540
	Other receivables	85,980	94,672
	Prepayments	8,109	7,372
		<u>103,128</u>	<u>233,584</u>
	Cash	2,595,522	4,808,097
	Total current assets	<u>2,698,650</u>	<u>5,041,681</u>
	<b>TOTAL ASSETS</b>	<u>2,698,650</u>	<u>5,041,681</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
3	Share capital	1,261,376	1,261,376
	Retained earnings	1,246,124	3,561,802
	Total equity	<u>2,507,500</u>	<u>4,823,178</u>
	Liabilities		
	Current liabilities		
	Trade payables	170,850	198,903
	Other payables	20,300	19,600
	Total current liabilities	<u>191,150</u>	<u>218,503</u>
		<u>191,150</u>	<u>218,503</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,698,650</u>	<u>5,041,681</u>

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Contingent assets
- 8 Collateral

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2020	1,261,376	3,561,802	4,823,178
Transfer through appropriation of loss	0	-2,315,678	-2,315,678
Equity at 31 December 2020	<u>1,261,376</u>	<u>1,246,124</u>	<u>2,507,500</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Defensin Therapeutics ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the Company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

##### Research costs

Research and development costs include research costs not satisfying the criteria for capitalisation, including expenses like clinical trials, patent costs and research staff.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Financial expenses

Financial expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments and changes in provisions for uncertain tax positions. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Income tax for the year includes income tax credits under with reference to the Danish Tax Regime (LL §8X) regarding tax credits for research and development expenditures.

##### Balance sheet

##### Financial assets

Financial assets comprise rental deposits, which are recognised at cost.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprises bank accounts which are subject only to minor risks of changes in value.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account. Tax credits from research and development expenditures are recognised in the balance sheet as income tax receivables.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Uncertain tax positions exist with respect to the interpretation of complex tax regulations. Management has established provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as interpretation of the tax regulation. The actual obligation may deviate and be dependent on the outcome of litigations and settlements with the relevant tax authorities.

## Other payables

Other payables are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

	DKK	2020	2019
2	Tax for the year		
	Estimated tax charge for the year	-9,039	-131,540
		<u>-9,039</u>	<u>-131,540</u>

Tax for the year comprises recognised tax credits with reference to LL §8X regarding tax credits for research and development expenditures.

	DKK	2020	2019
3	Share capital		
	Analysis of the share capital:		
	1,261,376 shares of DKK 1.00 nominal value each	1,261,376	1,261,376
		<u>1,261,376</u>	<u>1,261,376</u>

Analysis of changes in the share capital over the past 5 years:

DKK	2020	2019	2018	2017	2016
Opening balance	1,261,376	1,190,126	1,150,000	1,150,000	1,150,000
Capital increase	0	71,250	40,126	0	0
	<u>1,261,376</u>	<u>1,261,376</u>	<u>1,190,126</u>	<u>1,150,000</u>	<u>1,150,000</u>

#### 4 Deferred tax

The Company has deferred tax at a carrying amount of DKK 1,404 thousand at 22% corporation income tax rate, however, as it is uncertain whether these tax losses can be utilised within a foreseeable future (3-5 years), their carrying amount has not been recognised in the financial statements.

#### 5 Staff costs and incentive programmes

Staff costs are recognised as follows in the financial statements:

DKK	2020	2019
Research	0	975
	<u>0</u>	<u>975</u>
Average number of full-time employees	0	1

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### Incentive programmes

As per 31 December 2020, 721,105 warrants has been granted to the Executive Board member and other relevant stakeholders were outstanding. Of said amount of warrants outstanding, 481,105 warrants may be exercised by the warrant holder against cash payment of DKK 1,25 per share subscribed on basis of a warrant exercised, whereas 240,000 warrants may be exercised against cash payment of DKK 25 per share subscribed on basis of a warrant exercised.

No warrant-related expenses have been recognised in the annual report in accordance with the Danish Financial Statements Act.

#### 6 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

Upon the successful completion of phase I clinical testing of human beta defensin-2 or a variant thereof, a milestone payment of DKK 500,000 is payable to Novozymes A/S.

#### 7 Contingent assets

In April 2016, the Company signed a license and R&D agreement with Dr Falk Pharma GMBH (dated 15 April 2016) regarding the rights to develop, manufacture and market hBD-2 in Europe and Australia.

The Danish and German Tax Authorities has not coordinated the taxation of the milestone payment received in 2016 from Dr Falk Pharma GMBH. The company has a pending claim with the Danish Tax Authorities to reimburse any double taxation on the transaction

Management has estimated the contingent asset to be DKK 289 thousand, however due to uncertainty regarding timing and amount, management has not recognized any tax receivable in the balance sheet at 31 December 2020.

#### 8 Collateral

The Company has not placed any assets or other as security for loans at 31 December 2020.