

NMD Pharma A/S

c/o Capnova A/S, Åbogade 15, 8200 Aarhus N

CVR no. 36 89 90 69

Annual report 2018

Approved at the Company's annual general meeting on 23 May 2019

Chairman:

DocuSigned by:

Patrick Vink

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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 NMD Pharma A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Aarhus, 23 May 2019
Executive Board:

Thomas Holm Pedersen

Board of Directors:

DocuSigned by:
Patrick Vink
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Patrick Volkert Jozef
Johannes Vink
Chairman

DocuSigned by:
Lucas de Breed
D4B6E24D2DB2487
Lucas Antoine de Breed

DocuSigned by:
Christian Elling
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Christian Ellebæk Elling

DocuSigned by:
Morten Graugaard Døssing
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Morten Døssing

DocuSigned by:
Anja Ulrike Harmeier
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Anja Ulrike Harmeier



Independent auditor's report

To the shareholders of NMD Pharma A/S

Opinion

We have audited the financial statements of NMD Pharma A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 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 (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.

Aarhus, 23 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter U. Faurschou
State Authorised Public Accountant
mne34502



Management's review

Company details

Name	NMD Pharma A/S
Address, Postal code, City	c/o Capnova A/S, Åbogade 15, 8200 Aarhus N
CVR no.	36 89 90 69
Established	7 May 2015
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Patrick Volkert Jozef Johannes Vink, Chairman Lucas Antoine de Breed Christian Ellebæk Elling Morten Døssing Anja Ulrike Harmeier
Executive Board	Thomas Holm Pedersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management commentary

Business review

The Company's key activity is to develop novel treatments that strengthen neuromuscular transmission and muscle function in patients with neuromuscular disorders.

Financial review

The income statement for 2018 shows a loss of EUR 5,543 thousand against a loss of EUR 2,931 thousand last year, and the balance sheet at 31 December 2018 shows equity of EUR 5,747 thousand.

Events after the balance sheet date

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



Financial statements 1 January - 31 December

Income statement

Note	EUR	2018	2017
	Gross margin	-4,661,848	-2,391,511
2	Staff costs	-1,508,107	-1,039,541
	Profit/loss before net financials	-6,169,955	-3,431,052
	Financial income	0	6,860
	Financial expenses	-109,434	-165,372
	Profit/loss before tax	-6,279,389	-3,589,564
3	Tax for the year	736,560	658,934
	Profit/loss for the year	-5,542,829	-2,930,630
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-5,542,829	-2,930,630
		-5,542,829	-2,930,630



Financial statements 1 January - 31 December

Balance sheet

Note	EUR	2018	2017
	ASSETS		
	Non-fixed assets		
	Receivables		
	Corporation tax receivable	736,560	658,934
	Other receivables	138,905	77,025
	Prepayments	19,020	11,535
		<u>894,485</u>	<u>747,494</u>
	Cash	<u>5,847,901</u>	<u>2,096,431</u>
	Total non-fixed assets	<u>6,742,386</u>	<u>2,843,925</u>
	TOTAL ASSETS	<u>6,742,386</u>	<u>2,843,925</u>



Financial statements 1 January - 31 December

Balance sheet

Note	EUR	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
4	Share capital	87,546	23,436
	Retained earnings	5,659,559	-1,193,037
	Total equity	5,747,105	-1,169,601
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Convertible debt instruments eligible for dividend	0	3,433,715
	Trade payables	773,502	344,261
	Other payables	221,779	235,550
		995,281	4,013,526
	Total liabilities other than provisions	995,281	4,013,526
	TOTAL EQUITY AND LIABILITIES	6,742,386	2,843,925

1 Accounting policies

5 Contractual obligations and contingencies, etc.



Financial statements 1 January - 31 December

Statement of changes in equity

EUR	Share capital	Retained earnings	Total
Equity at 1 January 2017	23,436	1,737,593	1,761,029
Transfer through appropriation of loss	0	-2,930,630	-2,930,630
Equity at 1 January 2018	23,436	-1,193,037	-1,169,601
Capital increase	64,110	12,395,425	12,459,535
Transfer through appropriation of loss	0	-5,542,829	-5,542,829
Equity at 31 December 2018	87,546	5,659,559	5,747,105



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of NMD Pharma A/S for 2018 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.

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 EUR. The financial statements were previously presented in DKK. The presentation currency has been changed because the Company's most significant sales and expenses are settled in EUR. Comparative figures have been restated as follows:

- ▶ The items in the income statement are translated using average rates for the period concerned.
- ▶ Monetary balance sheet items are translated using the rates at the relevant balance sheet dates.
- ▶ Non-monetary balance sheet items are translated at the exchange rate at the time of acquisition.
- ▶ All exchange adjustments are recognised in the income statement as financial income/expenses.

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

Gross margin

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Research and development costs

The item includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 income and expenses

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

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. 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.

Balance sheet

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 is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Convertible loans

Convertible loans are broken down into a liability element and an equity element based on the relevant instrument of debt. On initial recognition, the liability is recognised at the fair value of a similar liability without a conversion right. The remaining amount of the convertible loan is recognised as equity. On subsequent recognition, the liability is measured at amortised cost until converted or repaid. The equity element is not re measured after initial recognition.



Financial statements 1 January - 31 December

Notes to the financial statements

EUR	2018	2017
2 Staff costs and incentive programmes		
Wages/salaries	1,361,290	975,325
Pensions	110,284	47,235
Other social security costs	8,371	6,945
Other staff costs	28,162	10,036
	<u>1,508,107</u>	<u>1,039,541</u>
Average number of full-time employees	<u>14</u>	<u>9</u>

Incentive programmes

Management is covered by an incentive scheme under which they can subscribe for shares in the Company. The scheme is subject to section 7P of the Danish Tax Assessment Act.

3 Tax for the year		
Estimated tax charge for the year	-736,560	-658,934
	<u>-736,560</u>	<u>-658,934</u>

EUR	2018	2017
4 Share capital		
Analysis of the share capital:		
50,000 A shares of EUR 0,13 nominal value each	6,696	6,696
125,000 B shares of EUR 0,13 nominal value each	16,740	16,740
478,716 A preference shares of EUR 0,13 nominal value each	64,110	0
	<u>87,546</u>	<u>23,436</u>

Analysis of changes in the share capital over the past 4 years:

EUR	2018	2017	2016	2015
Opening balance	23,436	23,436	6,696	0
Capital increase	64,110	0	16,740	6,696
	<u>87,546</u>	<u>23,436</u>	<u>23,436</u>	<u>6,696</u>

5 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling EUR 13 thousand in interminable rent agreements with remaining contract terms of 1 year. Furthermore, the Company has liabilities under operating leases for research equipment, totalling EUR 22 thousand, with remaining contract terms of less than 1 year.