

NMD Pharma A/S

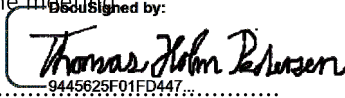
Palle Juul-Jensens Boulevard 82, 8200 Aarhus N

CVR no. 36 89 90 69

Annual report 2020

Approved at the Company's annual general meeting on 7 June 2021

Chair of the meeting:


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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 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.

Aarhus, 7 June 2021


Executive Board:


DocuSigned by:

 9445625F01FD447
 Thomas Holm Pedersen


Board of Directors:

DocuSigned by:

 20E0F8CAEBBC448
 Patrick Volkert Jozef
 Johannes Vink
 Chair


DocuSigned by:

 8251929E6AB849C
 Monique Claude Schiersing

DocuSigned by:

 C9CEC2593C0E41A
 Roel Bulthuis

DocuSigned by:

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 Jeremy Paul Springhorn

DocuSigned by:

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 Christian Ellebæk Elling

DocuSigned by:

 67436B887F8040E
 Morten Døssing



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 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.

Aarhus, 7 June 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter U. Faurshou
State Authorised Public Accountant
mne34502

Christian Jøker
State Authorised Public Accountant
mne31471



Management's review

Company details

| | |
|----------------------------|--|
| Name | NMD Pharma A/S |
| Address, Postal code, City | Palle Juul-Jensens Boulevard 82, 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, Chair Monique Claude Schiersing Roel Bulthuis Jeremy Paul Springhorn Christian Ellebæk Elling Morten Døssing |
| Executive Board | Thomas Holm Pedersen |
| Auditors | EY 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 2020 shows a loss of EUR 9,928 thousand against a loss of EUR 8,501 thousand last year, and the balance sheet at 31 December 2020 shows equity of EUR 9,243 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 | 2020 | 2019 |
|------|---|-------------|------------|
| | Gross loss | -7,870,124 | -7,086,633 |
| 2 | Staff costs | -2,743,002 | -2,058,533 |
| | Profit/loss before net financials | -10,613,126 | -9,145,166 |
| | Financial expenses | -51,461 | -92,667 |
| | Profit/loss before tax | -10,664,587 | -9,237,833 |
| 3 | Tax for the year | 736,560 | 736,560 |
| | Profit/loss for the year | -9,928,027 | -8,501,273 |
| | Recommended appropriation of profit/loss | | |
| | Retained earnings/accumulated loss | -9,928,027 | -8,501,273 |
| | | -9,928,027 | -8,501,273 |



Financial statements 1 January - 31 December

Balance sheet

| Note | EUR | 2020 | 2019 |
|------|--|-------------------|-------------------|
| | ASSETS | | |
| | Fixed assets | | |
| | Investments | | |
| | Deposits | 76,968 | 0 |
| | | <u>76,968</u> | <u>0</u> |
| | Total fixed assets | <u>76,968</u> | <u>0</u> |
| | Non-fixed assets | | |
| | Corporation tax receivable | 736,560 | 736,560 |
| | Other receivables | 1,226,033 | 136,017 |
| | Prepayments | 0 | 14,980 |
| | | <u>1,962,593</u> | <u>887,557</u> |
| | Cash | <u>9,448,988</u> | <u>9,177,320</u> |
| | Total non-fixed assets | <u>11,411,581</u> | <u>10,064,877</u> |
| | TOTAL ASSETS | <u>11,488,549</u> | <u>10,064,877</u> |
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 4 | Share capital | 192,930 | 140,238 |
| | Retained earnings | 9,050,187 | 8,070,894 |
| | Total equity | <u>9,243,117</u> | <u>8,211,132</u> |
| | Liabilities other than provisions | | |
| | Non-current liabilities other than provisions | | |
| | Other payables | 201,313 | 63,455 |
| | | <u>201,313</u> | <u>63,455</u> |
| | Current liabilities other than provisions | | |
| | Bank debt | 12,159 | 29,287 |
| | Trade payables | 1,446,566 | 1,465,474 |
| | Other payables | 585,394 | 295,529 |
| | | <u>2,044,119</u> | <u>1,790,290</u> |
| | | <u>2,245,432</u> | <u>1,853,745</u> |
| | TOTAL EQUITY AND LIABILITIES | <u>11,488,549</u> | <u>10,064,877</u> |

1 Accounting policies

5 Contractual obligations and contingencies, etc.

6 Contingent assets



Financial statements 1 January - 31 December

Statement of changes in equity

| EUR | Share capital | Retained earnings | Total |
|--|----------------|-------------------|------------------|
| Equity at 1 January 2019 | 87,546 | 5,659,558 | 5,747,104 |
| Capital increase | 52,692 | 10,912,609 | 10,965,301 |
| Transfer through appropriation of loss | 0 | -8,501,273 | -8,501,273 |
| Equity at 1 January 2020 | 140,238 | 8,070,894 | 8,211,132 |
| Capital increase | 52,692 | 10,907,320 | 10,960,012 |
| Transfer through appropriation of loss | 0 | -9,928,027 | -9,928,027 |
| Equity at 31 December 2020 | 192,930 | 9,050,187 | 9,243,117 |



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of NMD Pharma A/S 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 euros (EUR), as the Company's most significant transactions are settled in EUR.

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 loss

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

Research and development costs

NMD Pharma expenses all research costs. In line with industry practice, internal and subcontracted development costs are also expensed as they are incurred, due to significant regulatory uncertainties and other uncertainties inherent in the development of new products. This means that they do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

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.

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 statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial expenses

Financial expenses are recognised in the income statements 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.

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.

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".

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.



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.

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.



Financial statements 1 January - 31 December

Notes to the financial statements

| EUR | 2020 | 2019 |
|---|------------------|------------------|
| 2 Staff costs and incentive programmes | | |
| Wages/salaries | 2,409,260 | 1,844,983 |
| Pensions | 299,099 | 124,925 |
| Other social security costs | 9,544 | 10,192 |
| Other staff costs | 25,099 | 78,433 |
| | <u>2,743,002</u> | <u>2,058,533</u> |
| Average number of full-time employees | <u>22</u> | <u>17</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.

| EUR | 2020 | 2019 |
|-----------------------------------|-----------------|-----------------|
| 3 Tax for the year | | |
| Estimated tax charge for the year | -736,560 | -736,560 |
| | <u>-736,560</u> | <u>-736,560</u> |

| EUR | 2020 | 2019 |
|--|----------------|----------------|
| 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 |
| 872,178 A preference shares of EUR 0,13 nominal value each | 169,494 | 116,802 |
| | <u>192,930</u> | <u>140,238</u> |

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

| EUR | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------|----------------|----------------|---------------|---------------|---------------|
| Opening balance | 140,238 | 87,546 | 23,436 | 23,436 | 6,696 |
| Capital increase | 52,692 | 52,692 | 64,110 | 0 | 16,740 |
| | <u>192,930</u> | <u>140,238</u> | <u>87,546</u> | <u>23,436</u> | <u>23,436</u> |

5 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include obligations totalling EUR 356 thousand with remaining contract terms of 6 to 22 month.



Financial statements 1 January - 31 December

Notes to the financial statements

6 Contingent assets

The company has tax loss carry-forwards totalling EUR 19,549 thousand. The nominal value thereof is 22%, totalling EUR 4,301 thousand. The tax asset has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses.