
Subcuject ApS

Nordre Strandvej 119, DK-3150 Hellebæk

Annual Report for 1 January - 31 December 2018

CVR No 38 34 92 79

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/5 2019

Lars Guldbæk Karlsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Subcujet ApS 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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellebæk, 16 May 2019

Executive Board

Jesper Roested
CEO

Board of Directors

Lars Guldbæk Karlsen
Chairman

Paul Edward Jansen

Claus Demant

Lars Henning Stigel

Tonni Bülow-Nielsen

Independent Auditor's Report

To the Shareholders of Subcuject ApS

Opinion

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.

We have audited the Financial Statements of Subcuject ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the Financial Statements").

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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Independent Auditor's Report

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 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.

Independent Auditor's Report

- 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.

Aarhus, 16 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Østergaard

statsautoriseret revisor

mne26806

Company Information

The Company

Subcuject ApS
Nordre Strandvej 119
DK-3150 Hellebæk

CVR No: 38 34 92 79
Financial period: 1 January - 31 December
Municipality of reg. office: Helsingør

Board of Directors

Lars Guldbæk Karlsen, Chairman
Paul Edward Jansen
Claus Demant
Lars Henning Stigel
Tonni Bülow-Nielsen

Executive Board

Jesper Roested

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Management's Review

Financial Statements of Subcuject ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Key activities

The primary objective of the company is development and commercialization of an innovative, proprietary, wearable medical device for subcutaneous bolus injection of larger volume pharmaceuticals.

The wearable bolus injector is based on osmosis as the driving force without any electromechanical components. It is intended for being prefilled with the relevant drug and the company's business model, therefore, requires collaboration with pharmaceutical companies.

Development in the year

The income statement of the Company for 2018 shows a loss of DKK 3,815,078, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 334,140. The increased cost is a result of increased development activity and the increased cost is according to the plan.

During 2018, a functional model of the device was thoroughly tested and the device concept was solidly proven. Test results were used to direct the technical development, aiming for a redesigned functional model in 2019.

Subcuject are seeing a good interest in the injection device from a number of major pharmaceutical companies and during 2018 discussions on potential collaboration with pharmaceutical companies have progressed.

Furthermore, the company got a grant from Innovationsfonden in Denmark.

Expectations for the next year

Technical development activities will be further increased in 2019 and costs are expected to increase.

Furthermore, activities with pharmaceutical companies are expected to be increased.

As a development company with no established sales, Subcuject will also in 2019 primarily be funded by issuing new equity, but funding is also expected from grants and pharmaceutical companies.

Going concern

Contingent on the company reaching activity goals, an investment from existing shareholders will be released that will maintain financing of the company throughout 2019 in combination with expected payments from customers.

Please refer to note 1 "Going concern" for a more detailed description of uncertainty about the company's ability to going concern.

Management's Review

Subsequent events

The company closed an equity financing round of TDKK 2,600 in January 2019 from existing and new shareholders.

Income Statement 1 January - 31 December

| | Note | 2018 DKK | 2/1 2017- 31/12 2017 DKK |
|--|------|-------------------|--------------------------------|
| Gross profit/loss | | -2,229,526 | -2,701,989 |
| Staff expenses | 2 | -2,134,559 | -1,368,401 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -3,027 | 0 |
| Profit/loss before financial income and expenses | | -4,367,112 | -4,070,390 |
| Financial income | 3 | 150 | 3,421 |
| Financial expenses | 4 | -90,331 | -103,130 |
| Profit/loss before tax | | -4,457,293 | -4,170,099 |
| Tax on profit/loss for the year | | 642,215 | 740,746 |
| Net profit/loss for the year | | -3,815,078 | -3,429,353 |

Distribution of profit

Proposed distribution of profit

| | | | |
|-------------------|--|-------------------|-------------------|
| Retained earnings | | -3,815,078 | -3,429,353 |
| | | -3,815,078 | -3,429,353 |

Balance Sheet 31 December

Assets

| | Note | 2018 DKK | 2017 DKK |
|--|------|------------------|------------------|
| Other fixtures and fittings, tools and equipment | | 18,495 | 0 |
| Property, plant and equipment | | 18,495 | 0 |
| Fixed assets | | 18,495 | 0 |
| Trade receivables | | 0 | 477,542 |
| Other receivables | | 238,783 | 330,720 |
| Corporation tax | | 642,215 | 740,746 |
| Receivables | | 880,998 | 1,549,008 |
| Cash at bank and in hand | | 985,894 | 3,511,957 |
| Currents assets | | 1,866,892 | 5,060,965 |
| Assets | | 1,885,387 | 5,060,965 |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2018 DKK | 2017 DKK |
|--|----------|------------------|------------------|
| Share capital | | 146,249 | 126,249 |
| Retained earnings | | 187,891 | 3,622,969 |
| Equity | 5 | 334,140 | 3,749,218 |
| Credit institutions | | 3,866 | 3,131 |
| Convertible and profit-yielding instruments of debt | | 1,108,479 | 1,026,369 |
| Long-term debt | 6 | 1,112,345 | 1,029,500 |
| Trade payables | | 162,636 | 95,233 |
| Other payables | | 276,266 | 187,014 |
| Short-term debt | | 438,902 | 282,247 |
| Debt | | 1,551,247 | 1,311,747 |
| Liabilities and equity | | 1,885,387 | 5,060,965 |
| Going concern | 1 | | |
| Contingent assets, liabilities and other financial obligations | 7 | | |
| Accounting Policies | 8 | | |

Notes to the Financial Statements

1 Going concern

It is management's expectation that the company has secured the necessary capital for the planned activities in 2019 through subsidies from third parties as well as through investment commitments from capital owners. Investment commitments from capital owners are paid in tranches provided that a number of milestones related to the company's product development are met.

Hence, the company is liquidity dependent on a milestone being met in 2019. The Management expects the 2019 investment tranche to be completed and if, unexpectedly, the company does not meet the third milestone, the company will be able to adjust their costs, so that the operation of the company can continue until new capital is raised.

The annual report are therefore presented with the assumption of going concern.

| | <u>2018</u> DKK | <u>2/1 2017- 31/12 2017</u> DKK |
|--|-------------------------|--|
| 2 Staff expenses | | |
| Wages and salaries | 2,035,600 | 1,292,986 |
| Pensions | 74,000 | 60,000 |
| Other social security expenses | 13,854 | 5,109 |
| Other staff expenses | 11,105 | 10,306 |
| | <u>2,134,559</u> | <u>1,368,401</u> |
| Average number of employees | <u>2</u> | <u>1</u> |
| 3 Financial income | | |
| Other financial income | 2 | 0 |
| Exchange adjustments | 148 | 3,421 |
| | <u>150</u> | <u>3,421</u> |
| 4 Financial expenses | | |
| Other financial expenses | 88,101 | 72,533 |
| Exchange adjustments, expenses | 2,230 | 30,597 |
| | <u>90,331</u> | <u>103,130</u> |

Notes to the Financial Statements

5 Equity

| | Share capital | Retained earnings | Total |
|------------------------------|----------------|-------------------|----------------|
| | DKK | DKK | DKK |
| Equity at 1 January | 126,249 | 3,622,969 | 3,749,218 |
| Cash capital increase | 20,000 | 380,000 | 400,000 |
| Net profit/loss for the year | 0 | -3,815,078 | -3,815,078 |
| Equity at 31 December | 146,249 | 187,891 | 334,140 |

6 Long-term debt

| | 2018 | 2017 |
|--|------------------|------------------|
| | DKK | DKK |
| Credit institutions | | |
| Between 1 and 5 years | 3,866 | 3,131 |
| Long-term part | 3,866 | 3,131 |
| Within 1 year | 0 | 0 |
| | 3,866 | 3,131 |
| Convertible and profit-yielding instruments of debt | | |
| Between 1 and 5 years | 1,108,479 | 1,026,369 |
| Long-term part | 1,108,479 | 1,026,369 |
| Within 1 year | 0 | 0 |
| | 1,108,479 | 1,026,369 |

7 Contingent assets, liabilities and other financial obligations

The company has a tenancy commitment with a notice period as of 3 months which entails a commitment of TDKK 21.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Subcject ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

8 Accounting Policies (continued)

Income Statement

Revenue

Revenue is measured at the consideration received and is recognised exclusive of VAT.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

8 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | | |
|--|-----|-------|
| Other fixtures and fittings, tools and equipment | 3-5 | years |
|--|-----|-------|

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.