Draupnir Bio ApS

C/O Bio Innovation Institute

Ole Maaløes Vej 3, 2200 Copenhagen N, Denmark

Business Registration No. 38 54 68 80

Annual Report 1 January - 31 December 2021

As Annual General Meeting adopted on 30.05.2022

Thomas Gjøl-Trønning
Chairman of the General Meeting

Contents

Company Details

Draupnir Bio ApS
C/O Bio Innovation Institute
Ole Maaløes Vej 3
DK-2200 Copenhagen N

Business Registration No.: 38 54 68 80
Registered office: Copenhagen

Date of incorporation: 04.04.2017
Financial year: 01.01.2021 – 31.12.2021

Board of Directors:
Eva-Lotta Coulter, chairman
Simon Glerup Pedersen
Emmanuelle Coutanceau
Stefan Emanuel Luzi
Roel Bulthuis
Robert Andrew Donald Scott

Executive Board
Andrew Thomas Hotchkiss, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S
Denmark

Statement by Management

The Board of Directors and Executive Board have today discussed and approved the Annual Report for Draupnir Bio ApS for the financial year.

The financial statements have been prepared in accordance with International Financial Reporting Standards, which have been adopted by the EU. Further, the financial statements have been prepared in accordance with additional requirements under the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of Draupnir Bio's assets, liabilities and financial position at December 31, 2021 and of the results of the Draupnir Bio's operations and cash flow for the financial year 01.01.2021 – 31.12.2021.

We believe that the management review a fair review of the affairs and conditions referred to therein.

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

Copenhagen, 16.05.2022

Executive Board

Andrew Thomas Hotchkiss
CEO

Board of Directors

Eva-Lotta Coulter *Chairman*	Simon Glerup Pedersen	Emmanuelle Coutanceau
Stefan Emanuel Luzi	Roel Bulthuis	Robert Andrew Donald Scott

Independent auditor's report

To the Shareholders of Draupnir Bio ApS

Opinion

We have audited the financial statements of Draupnir Bio ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the Statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 on management's commentary

Management is responsible for the Management's commentary.

Our opinion on the Financial Statements does not cover Management's commentary, 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 commentary 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 commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management’s commentary 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 of management’s commentary.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Entity'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 Entity 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 judgment 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 Entity’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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Copenhagen, 16.05.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Sejer Pedersen
State-Authorised Public Accountant
Identification No (MNE) mne14986

Management’s commentary

Principal activities
The principal activities comprise research, development, production and sell biotechnology products and pharmaceutical products.

Development in activities and finances
The Company's income statement for the financial year 2021 shows a loss of 67,044 DKK ('000) and the company's balance sheet per 31 December 2021 shows an equity of 53,465 DKK ('000).

The result is characterized by the fact that the company is in the start-up phase with limited operations and costs for research and patent application. The company's financial position complies with management's expectations and is considered satisfactory.

The Company has obtained external capital and liquidity of 59,250 DKK ('000), and it is management's expectation that this can cover the company’s continued research and patent application.

Draupnir has re-prioritized its research and development programs away from Proprotein Convertase Subtilisin Kexin type 9 (PCSK9). Draupnir is now focusing on developing its core technology platform to develop therapies against novel high value targets.

Uncertainty relating to recognition and measurement
Management has assessed that there are key accounting estimates related to determing fair value of the share-based compensation as described in note 4 to the financial statements.

Subsequent Events
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Financial statements

Notes to the Financial Statements

Statement of Comprehensive income

(DKK'000)	Note	2021	2020
Other external expenses	2	(46,693)	(45,992)
Staff costs	3	(23,292)	(19,662)
Operating loss before amortisation and depreciation		**(69,985)**	**(65,614)**
Depreciation	6, 7	(1,767)	(117)
Operating loss		**(71,752)**	**(65,731)**
Financial income	5	45	7
Financial expenses	5	(710)	(396)
Profit/(loss) before tax		**(72,417)**	**(66,120)**
Tax on profit/(loss)	12	5,373	5,500
Profit/(loss) for the year		**(67,044)**	**(60,620)**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Other comprehensive income		0	0
Profit/(loss) and total comprehensive income for the financial year		**(67,044)**	**(60,620)**

Statement of financial position

ASSETS

(DKK'000)	Note	31 December 2021	31 December 2020
Property, plant and equipment	6	4,995	662
Right-of-use assets	7	4,673	0
Investments in financial assets	8	450	0
Total non-current assets		**10,118**	**662**
Other receivables	10	2,244	3,122
Corporation tax receivable	12	5,500	5,500
Prepayments		691	521
Cash and cash equivalents		49,312	50,985
Total current assets		**57,747**	**60,128**
Total assets		**67,865**	**60,790**

EQUITY AND LIABILITIES

(DKK'000)	Note	31 December 2021	31 December 2020
Share capital	11	513	375
Retained earnings		52,953	53,850
Total equity		**53,466**	**54,225**
Lease liabilities	7	3,766	0
Other payables	13	0	394
Total long-term liabilities		**3,766**	**394**
Provisions	14	1,646	0
Lease liabilities	7	1,055	0
Trade payables	13	4,893	3,633
Current tax liabilities	12	127	0
Other payables	13	2,912	2,538
Total current liabilities		**10,633**	**6,172**
Total equity and liabilities		**67,865**	**60,790**

Statement of changes in equity

(DKK'000)	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2021	375	0	53,850	**54,225**
Net profit/(loss) for the period	0	0	(67,044)	**(67,044)**
Other comprehensive income	0	0	0	**0**
Share-based compensation expenses	0	0	7,035	**7,035**
Capital increase	138	59,112	0	**59,250**
Transfer to reserves	0	(59,112)	59,122	**0**
Balance at 31 December 2021	**513**	**0**	**52,953**	**53,466**

(DKK'000)	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2020	251	0	51,724	**51,975**
Net profit/(loss) for the period	0	0	(60,620)	**(60,620)**
Other comprehensive income	0	0	0	**0**
Share-based compensation expenses	0	0	9,620	**9,620**
Capital increase	124	53,126	0	**53,250**
Transfer to reserves	0	(53,126)	53,126	**0**
Balance at 31 December 2020	**375**	**0**	**53,850**	**54,225**

Statement of cash flows

(DKK‘000)	Note	2021	2020
Operating profit/loss		(71,752)	(65,731)
Depreciation	7	1,767	117
Shared based payments	5	7,035	9,620
Change in working capital	13	3,988	1,927
Cash flow from operating activities before financial income and expenses		**(58,962)**	**(54,067)**
Financial income, received		45	7
Financial expenses, paid		(710)	(396)
Income taxes, received/(paid)		5,500	3,355
Cash flow from operating activities		**(54,127)**	**(51,101)**
Purchase of property, plant and equipment	7, 8	(10,773)	(779)
Financial assets		(450)	0
Net cash flows from investing activities		**(11,223)**	**(779)**
Proceeds from loans and borrowings		5,718	0
Repayments of loans and borrowings		(394)	0
Repayment of lease liabilities		(897)	0
Proceeds from capital increase		59,250	53,250
Cash flow from financing activities		**63,677**	**53,250**
Cash and cash equivalents, beginning of the year		50,985	49,615
Net (decrease)/increase in cash and cash equivalents		(1,673)	1,370
Cash and cash equivalents at December 31		**49,312**	**50,985**
Cash and cash equivalents in the cash flow statement comprise:			
Cash and cash equivalents		49,312	50,985

The figures in the cash flow statement cannot be directly derived from the figures in the balance sheet.

Notes to the consolidated financial statements

Note 1 - Basis of reporting

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and additional requirements under the Danish Financial Statements Act.

The accounting policies applied to these financial statements are consistent with those applied last year.

The Financial Statements are presented in Danish kroner (DKK) which is the functional currency of the Draupnir Bio ApS.

The Company's general accounting policies are described below. In addition to this, specific accounting policies are described in each of the individual notes to the Financial Statements. The accounting policies set out below and, in each note, have been used consistently in respect of the financial year and the comparative figures.

New accounting standards

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are expected to have no impact on the Company`s financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Materiality in financial reporting

In the preparation of the financial statements, Management aims to focus on the information considered to be material and relevant for the understanding of the Company's performance in the reporting period.

If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes.

Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

Key accounting estimates and judgements

As part of the preparation of the financial statements, Management makes a number of accounting estimates and assumptions as a basis for recognising and measuring the Company's assets, liabilities, income and expenses as well as judgements made in applying the Company's accounting policies. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility.

The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur, for which reason the actual results may differ from the estimates and judgements made.

Cash flow statement

The cash flow statement shows cash flow from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, changes in working capital and interest paid.

Cash flows from investing activities comprise payments in connection with acquisition of property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayment of interest-bearing debt.

Estimates

The use of reasonable estimates and judgements is an essential part of the preparation of the financial statements. Given the uncertainties inherent in the Company's funding activities, Management must make certain key accounting estimates regarding valuation and judgements on the reported amounts.

The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the measurement of assets and liabilities in the following reporting period. Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognized in the period in which the estimate is revised.

Management considers the key accounting estimates to be reasonable and appropriate based on currently available information. Management regards the accounting estimates related to shared-based payments as the key accounting estimates used in the preparation of the financial statements. No key judgement was applied in preparing the financial statements.

Note 2 - Other external expenses

Accounting policies

Other external costs comprise research and development costs include laboratory materials, patent costs, pre-clinical studies and other costs relating to the company's research, development activities, external consultancy costs, other employee related costs, IT and software costs, rent costs, and other administrative expenses.

	2021	2020
(DKK'000)		
Research and development costs	37,151	42,827
Other external expenses	9,542	3,165
Total	**46,693**	**45,922**

Note 3 - Staff costs

Accounting policies

Staff costs consist of wages and salaries, share-based payments, vacation pay, pensions and other costs for social security. Repayments from public authorities are deducted from staff costs. Salaries, pensions and social costs, share-based payments, vacation pay, and other benefits are recognised in the year in which the associated services are rendered by the employees.

	2021	2020
(DKK'000)		
Salary	15,256	9,709
Shared based payments	7,035	9,620
Other employee benefits	456	194
Social security costs	545	99
Total	**23,292**	**19,622**
Weighted average number of full-time employees	14	10

Breakdown of remuneration is as follows:

(DKK'000)	Salary	Bonus	Benefits and other related expenses	Share-based compensat ion	Total
2021:					
Executive Board	2,089	477	199	2,752	5,517
Board of Directors	112	0	0	483	595
Total	**2,201**	**477**	**199**	**3,235**	**6,112**

2020:					
Executive Board	1,620	360	54	3,138	5,172
Board of Directors	148	0	0	80	228
Total	**1,768**	**360**	**54**	**3,218**	**5,400**

Note 4 - Share-based compensation

Accounting policies

Share-based compensation benefits are provided to employees and board members under a warrant program.

The warrant program is classified as equity arrangement. As such, the fair value of the warrants granted under the program is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the warrants granted including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the nonmarket vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Warrant program

The Company's articles of association allow for the granting of equity compensation, in the form of warrants, to employees, consultants who provide services similar to employees, members of Executive Board. Warrants granted are subject to a graded vesting condition upon which the grant owner has a continued relationship to the Company as an employee, consultant or member of the Executive Board.

Warrants that have vested may be exercised at the beginning of a quarter, provided that the warrants in question have not lapsed. Vested warrants must be exercised within five years from the time of vesting and, in order to be exercised, the grant owner must have not resigned from its relationship with the Company. In case of an exit event (e.g. IPO), the Company's Board of Directors may decide that outstanding warrants (whether vested or not) will lapse without compensation and at the same time resolve acceleration of vesting of all warrants.

The Company is entitled to choose to exchange exercised warrants for existing shares in the Company instead of newly issued shares. Ownership to such shares shall be registered in the shareholders' register against simultaneous payment of an amount corresponding to the Subscription Price.

The following schedule specifies the granted warrants:

Executive Board	**Number of warrants granted**	**Weighted Average Exercise Price/Share (DKK)**	**Weighted Average fair value /Share (DKK)**	**Weighted Average Remaining Contractual Life (years)**
Warrants as at January 1, 2020	**15,325**		428,85	5
Granted during the year	3,831	193,81	428,75	4
Forfeited during the year	0			
Warrants as at December 31, 2020	**19,156**			4
Transfer to employees and consultants	(19,156)			
Granted during the year	26,819	193,81	428,75	4
Forfeited during the year	0			
Warrants as at December 31, 2021	**26,819**			4

Employees and Consultants	**Number of warrants granted**	**Weighted Average Exercise Price/Share (DKK)**	**Weighted Average fair value /Share (DKK)**	**Weighted Average Remaining Contractual Life (years)**
Warrants as at January 1, 2020	**22,987**			5
Granted during the year	19,157	193,81	428,75	4
Forfeited during the year	0			
Warrants as at December 31, 2020	**42,144**			4
Transfer from Executive Board	19,156			
Granted during the year	16,625	193,81	428,75	4
Forfeited during the year	(13,410)			
Warrants as at December 31, 2021	**64,515**			

As of 31 December 2021, the following warrants have been issued and granted by the Company to the warrant holders:

- In October 2019, 38,312 warrants were granted.
- In March 2020, 13,410 warrants were granted.
- In May 2020, 5,747 warrants were granted.
- In September 2020, 3,831 warrants were granted.
- In July 2021, 42,143 warrants were granted.
- In November 2021, 1,301 warrants were granted.
- In December 2021, 13,410 warrents was forfeited.

Vesting condition:

25% of the Warrants granted at any moment shall have vested upon the first anniversary of a Grant Date. The remaining 75% of the Warrants shall vest with 2.083% per month and on a linear basis over a period of three years from the first anniversary of a Grant Date.

Fair value

The fair value at grant date is determined using a Black-Scholes Model calculation that takes into account the share price at grant date, the exercise price, the risk free interest rate for the term of the warrants, the expected volatility and the term of the warrant (the expected maturity).

The average model inputs for the warrants granted during the year ended 31 December 2020 and 2021 included:

a. Share price at grant date: DKK 428.75 (2020: DKK 428.75)
b. Exercise price: DKK 428.75 (2020: DKK 428.75)
c. Expected price volatility of Draupnir common shares: 40% (2020: 40%)
d. Risk-free interest rate: 0% (2020: 0%)

Share price at grant date is determined to equal the price per share as the external investors valuation in 2019.
The expected price volatility is estimated based upon an analysis of the historical volatility of peer-group in similar companies and factors specific to Draupnir.
The expected maturity corresponds to the expected number of years until the occurrence of an exit event. The expected likelihood of the occurrence of an exit event is taking into account in determining the fair values of the grants.

Note 5 - Financial income and expenses

Accounting policies

Financial income and expenses include interest income and expenses. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Financial income

(DKK’000)	2021	2020
Exchange rate adjustment	45	7
Total	**45**	**7**

Financial expenses

(DKK’000)	2021	2020
Bank charges	322	379
Exchange rate adjustment	139	9
Interest on lease liabilities	233	0
Other financial expenses	16	8
Total	**710**	**396**

Note 6 - Property, plant and equipment

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost comprises the acquisition price and other directly attributable costs until the date on which the asset is available for use.

Depreciation is recognised on a straight-line basis from the time of acquisition, or when the asset is available for use, over the expected useful life. The expected useful lives are assessed individually for every class of assets. A reassessment is made once a year to ascertain that the depreciation basis reflects the expected useful lives and future residual values of the assets.

The expected useful lives are as follows:

Other plant, fixtures and operating equipment	3-5 years

Impairment of fixed assets

The carrying amount of fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortization and depreciation.

In the event of impairment indications, an impairment test is made for each asset or Company of assets, respectively. If the net realizable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or Company of assets and the expected net cash flows from sale of the asset or Company of assets after the end of its useful life.

(DKK'000)	Other plant, fixtures and operating equipment	Total
Cost at 1 January 2021	779	779
Additions	5,055	5,055
Cost at 31 December 2021	**5,834**	**5,834**
Depreciation and impairment at 1 January 2021	117	117
Depreciation for the year	722	722
Depreciation and impairment at 31 December 2021	**839**	**839**
Carrying amount at 31 December 2021	**4,995**	**4,995**

Note 7 - Leases (Company as a lessee)

Accounting policies

The Company assesses whether a contract is, or contains, a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the financial statements.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the financial statements.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

	Buildings	**Total**
(DKK'000)		
Cost at 1 January 2021	0	0
Additions	5,718	5,718
Cost at 31 December 2021	**5,718**	**5,718**
Depreciation and impairment at 1 January 2021	0	0
Depreciation for the year	1,045	1,045
Depreciation and impairment at 31 December 2021	**1,045**	**1,045**
Carrying amount at 31 December 2021	**4,673**	**4,673**

The Company leases office and lab facilities (buildings). The average lease term is 5 years (2020: N/A).

Amounts recognised in profit and loss	**2021**	**2020**
(DKK'000)		
Depreciation expense on right-of-use assets	1,045	0
Interest expense on lease liabilities	233	0
Expense relating to short-term leases	244	268
Expense relating to leases of low value assets	0	0

The total cash outflow for leases amount to 1,159 DKK'000 (2020: 111 DKK'000)

Note 8 - Investments in financial assets

Accounting policies

Financial assets are recognised in the Company's financial statement when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to the fair value of the financial assets, as appropriate, on initial recognition.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets

(DKK’000)	Deposits	Total
Cost at 1 January 2021	0	0
Additions	450	450
Value at 31 December 2021	**450**	**450**

Note 9 - Cash and cash equivalents

Accounting policies

Cash and cash equivalents are primarily held with financial institutions through which the Company conducts its day-to-day banking transactions.

Note 10 - Other receivables

Accounting policies

Receivables are measured at amortized cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

(DKK'000)	2021	2020
VAT receivables	2,244	2,350
Other receivables	0	772
Total	**2,244**	**3,122**

Note 11 - Share capital

Accounting policies

The share capital comprises 513,132 shares of DKK 1 each (2020: 374,938 shares of DKK 1). The shares are all authorised, issued and fully paid. No shares carry any additional special rights. The Company continuously assesses the need for adjustment of the capital structure.

There is no dividend proposed for 2021 (2020: 0).

Note 12 - Tax on result for the year

Accounting policies

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognized in the income statement by the portion that may be attributed to the profit for the year, and is recognized directly in the equity by the portion that may be attributed to entries directly to the equity.

According to the tax credit scheme the company has the opportunity to apply for a pay-out of an amount corresponding to the company tax (22 %) of the company's qualifying research and development costs, against a reduction of the remaining unused taxable losses.

Tax for the year

(DKK'000)	2021	2020
Tax on profit for the year:		
Calculated tax on taxable income of the year	5,500	5,500
Total tax on profit for the year	**5,500**	**5,500**

Income tax benefits for both the years 2021 and 2020 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Effective tax rate

(DKK'000)	2021	2020
Tax calculated as 22% of profit/(loss) for the year	15,932	14,546
Non-deductible income/expenses	3,460	(2,121)
Non-capitalised tax assets	(12,472)	(6,919)
Effective tax	**5,373**	**5,500**
Tax rate for the year (%) (tax income)	**7.4%**	**8.3%**

The effective tax primarily relates to the company’s use of the tax credit scheme (“*skattekreditordningen*”) cf. section below. The effective tax is therefore not related to the loss for the year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognized in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities. Corporation tax receivable relates to the company's use of the tax credit scheme ("*skattekreditordningen*") in according to section 8X of the Danish Tax Assessment Act (*"ligningsloven"*).

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Deferred tax liabilities, net

(DKK'000)	**2021**	**2020**
Tax on loss at 1 January	5,500	3,355
Received tax credit scheme doing the year	(5,500)	(3,355)
Tax on loss for the year	5,500	5,500
Tax on loss at 31 December	**5,500**	**5,500**
Tax on loss recognised in the balance sheet:		
Tax assets	5,500	5,500
Tax liabilities	(127)	0
Tax on loss at 31 December	**5,373**	**5,500**

Deferred tax concerns:

(DKK'000)	**2021**	**2020**
Other fixtures and fittings, tools and equipment	(123)	(17)
Tax loss carried forward	23,495	11,023
Total	**23,372**	**11,006**

Description of deferred tax:

Due to uncertainty of utilisation of the tax loss carry-forward, tax assets of 23,495 DKK ('000) has not been recognised any deferred tax assets. Tax assets amount to DKK 0.

Note 13 - Trade and other payables

Accounting policies

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

(DKK'000)	2021	2020
Trade payables	4,893	3,633
Other payables	2,912	2,932
Total trade and other payables	**7,805**	**6,565**

Note 14 - Provisions

Accounting policies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Draupnir has in December 2021 decided to re-prioritize its research and development programs away from Proprotein Convertase Subtilisin Kexin type 9 (PCSK9) and a provision for this have been recognized.

(DKK'000)	2021	2020
Restructuring provision	1,646	0
Total provisions	**1,646**	**0**

Note 15 - Working capital

Accounting policies

Working capital is defined as current assets (excluding cash), less current liabilities (excluding convertible debt) and measures the net liquid assets the Company has available for the business.

(DKK’000)	**2021**	**2020**
Change in other receivables and prepayments	708	(3,218)
Change in trade payables, other payables and provisions	3,280	5,145
Total change in working capital	**3,988**	**1,927**

Note 16 – Leasing

Accounting policies

The Company applies the IFRS 16 recognition exemptions for short-term leases, which are leases with a term less than 12 month.

The Company have recognised a total cost related to short-term leases of 244 DKK’000. (2020: 268 DKK’000) as short-term leases in Other external expenses.

Note 17 - Financial risk

Accounting policies

Capital management

Management assesses whether the capital structure of Draupnir Bio ApS is in line with the interests of the Company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth. Following this, the financial facilities in the Company is considered sufficient to run the business for the coming years.

Liquidity risk

The purpose of the Company’s cash management policy is to maintain adequate cash resources to meet financial liabilities. The Company’s cash resources consist of cash and cash equivalents. The Company continuously monitors the cash flows in order to manage the liquidity risk. The Company has cash and other liquid funds of 49,312 DKK (‘000) as of 31 December 2020 (2020: 50,985 DKK (‘000)).

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

Maturity of the Company's financial liabilities

(DKK'000)	Less than 1 year	Between 1-5 years	More than 5 years	Total
2021:				
Current tax liabilities	127	0	0	127
Provisions	1,646	0	0	1,646
Lease liabilities	1,055	3,766	0	4,821
Trade payables	4,893	0	0	4,893
Other payables	2,912	0	0	2,912
Total	**10,633**	**3,766**	**0**	**14,399**
2020:				
Trade payables	3,633	0	0	3,633
Other payables	2,538	394	0	2,932
Total	**6,171**	**394**	**0**	**6,565**

Foreign exchange risk

The Company is only insignificantly affected by exchange rate fluctuations. The Company has in all material aspects only transactions in DKK and EUR.

The Company's Foreign exchange relates to external research and development and is deemed insignificant.

Categories of financial assets and liabilities

The fair value of financial assets and liabilities does not differ significantly from the carrying amount.

(DKK'000)	31 December 2021	31 December 2020
Financial assets measured at amortised cost:		
Other receivables	2,244	3,122
Cash and cash equivalents	49,312	50,985
Total cash and cash equivalents	**51,556**	**54,107**

(DKK’000)	**31 December 2021**	**31 December 2020**
Financial liabilities measured at amortised cost		
Trade payables	4,893	3,633
Other payables	2,912	2,932
Total financial liabilities	**7,805**	**6,565**

Note 18 - Related parties

During the year, the Company has purchased consultant services from the Board of Directors of 502 DKK’000 (2020: 0 DKK’000)

Besides the above, transactions with related parties consists of remuneration to the Board of Directors or the Executive Board as described in note 4.

Note 19 - Events after the reporting period

No events have occurred after the balance sheet date, which would change the evaluation of the annual report.

Note 20 - Approval of the financial statements for publication

At a board meeting on 16 May 2022 the Board of Directors adopted this annual report for publication on 17 May 2022. The annual report is presented to the shareholders for adoption at the annual general meeting on 30 May 2022.