

Optoceutics ApS

c/o DTU Science Park A/S
Gammel Kongevej 1, 4. tv
1610 København V
Denmark

CVR no. 39 76 96 89

Annual report 2021

The annual report was presented and approved at
the Company's annual general meeting on

8 July 2022

Rasmus Just

Chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Optoceutics ApS for the financial year 1 January – 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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

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

Copenhagen, 8 July 2022

Executive Board:

Ngoc Mai Thi Nguyen
CEO

Marcus Schultz Carstensen

Board of Directors:

Rasmus Just
Chairman

Vivienne L'Ecuyer Ming

Ngoc Mai Thi Nguyen

Marcus Schultz Carstensen

Jes Broeng

Kaare Agerholm Danielsen

Independent auditor's report

To the shareholders of Optoceutics ApS

Opinion

We have audited the financial statements of Optoceutics ApS for the financial year 1 January – 31 December 2021 comprising 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 Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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 are independent of the Company 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.

Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 8 July 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

Simon Vinberg Andersen
State Authorised
Public Accountant
mne35458

Optoceutics ApS
Annual report 2021
CVR no. 39 76 96 89

Management's review

Company details

Optoceutics ApS
Gammel Kongevej 1, 4. tv
1610 København V
Denmark

Telephone:	23 45 64 42
CVR no.:	39 76 96 89
Established:	8 August 2018
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Rasmus Just, Chairman
Vivienne L'Ecuyer Ming
Ngoc Mai Thi Nguyen
Marcus Schultz Carstensen
Jes Broeng
Kaare Agerholm Danielsen

Executive Board

Ngoc Mai Thi Nguyen, CEO
Marcus Schultz Carstensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

Optoceutics has made important progress during 2020 and primo 2021 toward our long-term vision of building a digital therapeutics platform with multiple revenue streams for multiple neurological and psychiatric diseases with electrophysiological deficits such as brain network dysfunction and gamma deficits. Basing our digital therapeutics platform on a product portfolio with the creation of new disease-modifying treatment options for neurological and psychiatric diseases, Optoceutics is advancing the world towards a state in which these diseases are better understood and ultimately treated, thereby benefitting not only patients, families, and healthcare providers.

Throughout the period of 2020/2021, Optoceutics has executed and finalized key business objectives within, but not limited to, medical device development, publications in leading medical journals within the field of Alzheimer's disease, clinical development, management of existing and filing of new intellectual property manufacturing processes, and business development.

Clinical and Research

Within medical device development, Optoceutics has signed the declaration of conformity of a class IIa product ready for clinical trials. On April 12, 2022, we reached a key company and societal milestone by signing the declaration of conformity of our first commercial medical class 1 product (EVY LIGHT) certified for 40 Hz neurostimulation and brainwave entrainment.

In terms of clinical development, Optoceutics demonstrated successful deployment of our first-in-class class IIa product (LTS) in a joint GCP-monitored clinical trials series ALZLIGHT Stage I and Stage II. Recruitment was successfully finalized in ALZLIGHT Stage I and Stage II, and data is being analyzed for subsequent publication. We also have the approval from competent authorities to start recruitment for our first Phase 2 study for the treatment of mild-to-moderate Alzheimer's disease. This marks the first steps in the clinical evidence generation in a first indication (Alzheimer's disease), and together with the regulatory-based medical device development, these results will transform Optoceutics into a DTx company with a pipeline of brain stimulation devices for late-phase clinical development.

This is done in parallel with participation in multiple investigator-initiated animal studies investigating the mechanism of action and explorative efficacy in both the European Union and the United States. Furthermore, Optoceutics is now partaking in a large EU research consortium, ASTROTECH, with two industry Ph.D.'s fully employed at Optoceutics, each of which is supporting the current clinical pipeline by conducting GCP clinical trials in indications related to the Alzheimer's continuum.

Product Development

In terms of manufacturing, Optoceutics has prepared and bought equipment for the production of 500 devices (NSS) and approx. 100 clinical devices for use in the fourth quarter of 2022, and at this stage ready to scale up manufacturing to thousands of units when additional funding is acquired for scale-up.

Patent Update

Finally, Optoceutics has managed to get one of its four patents granted, and are continuing to file deep technology patents, acquiring trademarks for its disease-modifying platform, and publish in leading medical journals within the neurological and psychiatric field, such as the newest publication in the Journal of Alzheimer's disease by OC's key clinical partners.

Management's review

Operating review

Capital resources

In addition to capital investments, OptoCeutics took up a loan of DKK 8,500,000 from Vækstfonden, to be used to support future research & development activities.

OptoCeutics is still in development mode, incurring high research and development costs which is still running in the minus in terms of cost and revenue.

The work above accounts for the exciting clinical and financial progress in OptoCeutics, and is a result of the exceptional support of our shareholders and of the outstanding work of our daily team.

Development in activities and financial position

The Company's income statement for 2021 shows a profit of DKK -3,880,378 as against DKK -506,332 in 2020. Equity in the Company's balance sheet at 31 December 2021 stood at DKK 13,367,310 as against DKK 16,247,894 at 31 December 2020.

Events after the balance sheet date

The occurrence of COVID-19 through 2020, and continuing into 2022 means both a risk of delay of clinical trials, but also a world-wide shortage of electronic components, which results in higher prices for components and longer delivery time, ultimately affecting the production cost and capability.

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

I would like to thank all OptoCeutians, our team, investors, partners, stakeholders, clinicians, shareholders, and all who have helped us with their continued support and partnership. We are looking forward to continuing to deliver on our OC goals to benefit patients, families, society, and shareholders in 2023.

Ngoc Mai Nguyen, CEO, OptoCeutics

Financial statements 1 January – 31 December

Income statement

DKK	Note	2021	2020
Gross loss		-2,177,118	-131,717
Staff costs	2	-3,240,593	-820,856
Loss before financial income and expenses		-5,417,711	-952,573
Other financial income		74	0
Other financial expenses		-68,559	-77,166
Loss before tax		-5,486,196	-1,029,739
Tax on loss for the year	3	1,605,818	523,407
Loss for the year		-3,880,378	-506,332
Proposed distribution of loss			
Reserve for development costs		3,156,552	3,516,908
Retained earnings		-7,036,930	-4,023,240
		-3,880,378	-506,332

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets			
Patent rights		629,376	588,700
Development projects in progress		12,244,761	8,197,899
		12,874,137	8,786,599
Investments			
Equity investments in group entities		161,512	0
Deposits		114,147	54,708
		275,659	54,708
Total fixed assets		13,149,796	8,841,307
Current assets			
Receivables			
Trade receivables		0	3,781
Receivables from group entities		13,834	0
Other receivables		33,567	374,055
Corporation tax		1,334,941	991,948
		1,382,342	1,369,784
Cash at bank and in hand		11,913,989	17,058,107
Total current assets		13,296,331	18,427,891
TOTAL ASSETS		26,446,127	27,269,198

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		82,902	82,052
Reserve for development costs		9,550,914	6,394,361
Retained earnings		<u>3,733,494</u>	<u>9,771,481</u>
Total equity		<u>13,367,310</u>	<u>16,247,894</u>
Provisions			
Provisions for deferred tax		<u>1,009,253</u>	<u>1,280,130</u>
Total provisions		<u>1,009,253</u>	<u>1,280,130</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
	4		
Other credit institutions		8,500,000	8,500,000
Other payables		<u>0</u>	<u>245,595</u>
		<u>8,500,000</u>	<u>8,745,595</u>
Current liabilities other than provisions			
Trade payables		87,369	223,871
Other payables		364,446	771,708
Deferred income		<u>3,117,749</u>	<u>0</u>
		<u>3,569,564</u>	<u>995,579</u>
Total liabilities other than provisions		<u>12,069,564</u>	<u>9,741,174</u>
TOTAL EQUITY AND LIABILITIES		<u><u>26,446,127</u></u>	<u><u>27,269,198</u></u>
Contractual obligations, contingencies, etc.			
	5		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2021	82,052	6,394,361	9,771,480	16,247,893
Capital increase	850	0	998,945	999,795
Transferred over the profit appropriation	0	3,156,553	-7,036,931	-3,880,378
Equity at 31 December 2021	82,902	9,550,914	3,733,494	13,367,310

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Optoceutics ApS for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross result

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross result.

Revenue

Income from activities is recognised in revenue when terms have been met, and the income may be measured reliably and is expected to be received.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise costs for administrative expenses, costs of premises etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement at the amount attributable to the profit for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Patent rights

Patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent.

Development projects in progress

Development costs are recognised in the income statement in the acquisition year.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Investments

Investments in other securities and equity investments are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value. The cost is reduced by dividends received exceeding accumulated earnings after the acquisition date.

Deposits are recognised at amortised cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

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

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises advance funding regarding subsequent years.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK	2021	2020
Wages and salaries	5,358,583	2,839,503
Other social security costs	93,811	25,157
Transferred to development projects	-2,211,801	-2,043,804
	<u>3,240,593</u>	<u>820,856</u>

Average number of full-time employees	<u>10</u>	<u>6</u>
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3 Tax on loss for the year

Tax receivable	-1,334,941	-991,948
Deferred tax for the year	-270,877	468,541
	<u>-1,605,818</u>	<u>-523,407</u>

4 Non-current liabilities other than provisions

DKK	Total debt at 31/12 2011	Outstanding debt after five years
Other credit institutions	8,500,000	4,250,000
	<u>8,500,000</u>	<u>4,250,000</u>

5 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company has a total rent obligation of DKK 432 thousand related to a 6 months period of notice starting from 1 January 2022.