



Zerion Pharma A/S

Fruebjergvej 3
2100 København Ø
CVR No. 40169229

Annual report 2022

The Annual General Meeting adopted the
annual report on 12.06.2023

Ulrik Bayer

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	8
Balance sheet at 31.12.2022	9
Statement of changes in equity for 2022	11
Cash flow statement for 2022	12
Notes	13
Accounting policies	16

Entity details

Entity

Zerion Pharma A/S
Fruebjergvej 3
2100 København Ø

Business Registration No.: 40169229
Registered office: København
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Jorrit Jeroen Water
Torsten Rüdiger Goesch
Lars Lykke Thomsen
Dorte Juhl Arnbjerg

Executive Board

Ole Sylvester-Hvid Wiborg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Zerion Pharma A/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

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

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 12.06.2023

Executive Board

Ole Sylvester-Hvid Wiborg

Board of Directors

Jorrit Jeroen Water

Torsten Rüdiger Goesch

Lars Lykke Thomsen

Dorte Juhl Arnbjerg

Independent auditor's report

To the shareholders of Zerion Pharma A/S

Opinion

We have audited the financial statements of Zerion Pharma A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, 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 the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for 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 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 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management 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 the management commentary.

Copenhagen, 12.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Wolff Mikkelsen

State Authorised Public Accountant
Identification No (MNE) mne33747

Jonas Thøstesen Svensson

State Authorised Public Accountant
Identification No (MNE) mne47824

Management commentary

Primary activities

Zerion Pharma ("Zerion" or "the Company") is a drug development company, which has developed a new formulation technology, *Dispersome*®, that enables poorly soluble drugs to become effective pharmaceutical products.

The Company was established in January 2019 as a spinout from the University of Copenhagen based on a decade of research. Zerion is focused on 1) improving existing drug products, thereby building a pipeline and on 2) partnering with major pharmaceutical and biotech companies to solve their problems with solubility and bioavailability in new pharmaceutical products.

Zerion's R&D activities comprise firstly in house lab work to develop formulations of both new and existing drug candidates. Since inception, the Company's research labs have been located at the University of Copenhagen where the Company employs 10 scientists and technicians. Secondly, Zerion conducts external R&D activities in the form of pre-clinical and eventually clinical studies with selected drug candidates which incorporate the *Dispersome*® technology.

Development in activities and finances

During 2022, the Company expanded its R&D activities, in particular in partnerships with Pharma clients. Revenues grew by 70% from TDKK 1,933 to TDKK 3,273. At the same time, both external R&D costs and staff costs increased compared with 2021. As expected by Management, the financial result amounted to a loss of TDKK 18,592 which reflects the continued investment in further development of the *Dispersome* technology.

The Company has lost more than 50% of its equity. The Company expects to reestablish the equity in 2023 by capital increases.

Events after the balance sheet date

Management has confirmed that the Company is working to raise new financing through new share issues, for which reason the financial statements for 2022 are presented on a going concern basis. Prior to signing of this annual report, the Company has received a capital increase of DKK 7.2 million and debt conversion of DKK 0.2 million.

Otherwise, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue		3,273,327	1,932,775
Other operating income	2	67,750	1,680,000
Research and development costs		(8,351,668)	(5,179,055)
Other external expenses		(5,902,060)	(5,148,395)
Gross profit/loss		(10,912,651)	(6,714,675)
Staff costs	3	(9,538,147)	(6,245,366)
Depreciation, amortisation and impairment losses		(441,028)	(219,897)
Operating profit/loss		(20,891,826)	(13,179,938)
Other financial income		3,832	5,276
Other financial expenses	4	(1,241,102)	(571,127)
Profit/loss before tax		(22,129,096)	(13,745,789)
Tax on profit/loss for the year	5	3,393,491	2,611,740
Other taxes		(121,713)	0
Profit/loss for the year		(18,857,318)	(11,134,049)
Proposed distribution of profit and loss:			
Retained earnings		(18,857,318)	(11,134,049)
Proposed distribution of profit and loss		(18,857,318)	(11,134,049)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Other fixtures and fittings, tools and equipment		2,945,727	2,114,467
Property, plant and equipment	6	2,945,727	2,114,467
Fixed assets		2,945,727	2,114,467
Trade receivables		818,193	595,010
Other receivables		1,161,755	1,153,184
Income tax receivable	7	3,393,959	2,611,740
Prepayments		0	578,732
Receivables		5,373,907	4,938,666
Cash		4,103,621	6,644,491
Current assets		9,477,528	11,583,157
Assets		12,423,255	13,697,624

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		520,927	459,476
Retained earnings		(10,479,005)	(1,326,306)
Equity		(9,958,078)	(866,830)
Debt to other credit institutions		3,104,694	3,222,189
Convertible and dividend-yielding debt instruments		14,663,324	7,181,638
Other payables		181,000	175,646
Non-current liabilities other than provisions	8	17,949,018	10,579,473
Current portion of non-current liabilities other than provisions	8	837,990	0
Trade payables		1,987,244	2,366,480
Other payables	9	1,607,081	1,618,501
Current liabilities other than provisions		4,432,315	3,984,981
Liabilities other than provisions		22,381,333	14,564,454
Equity and liabilities		12,423,255	13,697,624
Going concern	1		
Contingent assets	11		
Contingent liabilities	12		
Assets charged and collateral	13		

Statement of changes in equity for 2022

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	459,476	0	(1,326,306)	(866,830)
Increase of capital	47,100	7,796,432	0	7,843,532
Capital increase by debt conversion	14,351	2,446,152	0	2,460,503
Transferred from share premium	0	(10,242,584)	10,242,584	0
Costs related to equity transactions	0	0	(537,965)	(537,965)
Profit/loss for the year	0	0	(18,857,318)	(18,857,318)
Equity end of year	520,927	0	(10,479,005)	(9,958,078)

The company has lost more than 50% of its equity. The company expects to re-establish the equity in 2023 by capital increases.

As described in the Management commentary, the equity has in 2023 been strengthened by an increase of capital and debt conversation of DKK 7.5 million.

Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		(20,891,826)	(13,179,938)
Operating profit/loss from discontinued operations		441,028	219,897
Working capital changes	10	(38,325)	1,586,382
Cash flows from ordinary operating activities		(20,489,123)	(11,373,659)
Financial income received		3,832	5,276
Financial expenses paid		(1,241,101)	(571,127)
Taxes refunded/(paid)		2,489,559	665,407
Cash flows from operating activities		(19,236,833)	(11,274,103)
Acquisition etc. of property, plant and equipment		(1,272,288)	(1,531,738)
Other cash flows from investing activities		(537,965)	17,873
Cash flows from investing activities		(1,810,253)	(1,513,865)
Free cash flows generated from operations and investments before financing		(21,047,086)	(12,787,968)
Loans raised		10,662,684	4,205,395
Cash increase of capital		7,843,532	11,278,451
Cash flows from financing activities		18,506,216	15,483,846
Increase/decrease in cash and cash equivalents		(2,540,870)	2,695,878
Cash and cash equivalents beginning of year		6,644,491	3,948,613
Cash and cash equivalents end of year		4,103,621	6,644,491
Cash and cash equivalents at year-end are composed of:			
Cash		4,103,621	6,644,491
Cash and cash equivalents end of year		4,103,621	6,644,491

Notes

1 Going concern

Zerion Pharma has a negative equity of DKK 9.9 million as per 31 December 2022. During 2022, the Company's operations were financed by revenues, equity financing and convertible loans from a strategic partner and from private lenders. Further, as mentioned in the management report, the Company received a capital injection of DKK 7.5 million in May 2023.

The Company is actively searching for additional financing through discussions with current shareholders, partners and potential new investors. Ultimately, Zerion is aiming for an IPO, presumably in 2024.

It is the Management's opinion that the Company have sufficient cash equivalent for the fiscal year 2023. Management has on this bases decided to present the financial statements on a going concern basis.

2 Other operating income

Other operating income includes DKK 67,750 from Innobooster grants.

3 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	8,796,149	5,744,336
Pension costs	650,059	450,725
Other social security costs	91,939	50,305
	9,538,147	6,245,366
Average number of full-time employees	12	8

4 Other financial expenses

	2022	2021
	DKK	DKK
Other interest expenses	1,194,984	542,909
Exchange rate adjustments	46,118	28,218
	1,241,102	571,127

5 Tax on profit/loss for the year

	2022	2021
	DKK	DKK
Current tax	(3,393,491)	(2,611,740)
	(3,393,491)	(2,611,740)

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	2,335,019
Additions	1,272,288
Cost end of year	3,607,307
Depreciation and impairment losses beginning of year	(220,552)
Depreciation for the year	(441,028)
Depreciation and impairment losses end of year	(661,580)
Carrying amount end of year	2,945,727

7 Tax receivable

Tax receivable relates to the use of the tax credit scheme under section 8X of the Danish Tax Assessment Act.

8 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due after more than 12 months 2022 DKK
Debt to other credit institutions	272,990	3,104,694
Convertible and dividend-yielding debt instruments	565,000	14,663,324
Other payables	0	181,000
	837,990	17,949,018

Debt to other credit institutions include convertible loans from Vækstfonden, a commercial partner and private investors amounting to in total approx. DKK 15.2 million.

9 Other payables

	2022 DKK	2021 DKK
Wages and salaries, personal income taxes, social security costs, etc. payable	332,833	832,475
Other costs payable	1,274,248	786,026
	1,607,081	1,618,501

10 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in receivables	346,978	(743,819)
Increase/decrease in trade payables etc.	(385,303)	2,330,201
	(38,325)	1,586,382

11 Contingent assets

The Company has deferred tax at a carrying amount of DKK 4.157k at 22% corporation income tax rate. As it is uncertain if this deferred tax assets can be utilised within a foreseeable future (3-5 years), the carrying amount has not been recognised in the financial statements.

12 Contingent liabilities

The Company has entered into an operating lease for its lab facilities at the University of Copenhagen with a non-cancelable lease term of three months, which as of 31 December 2022 constitutes a contractual obligation of DKK 412 thousand.

13 Assets charged and collateral

The Company does not have pledges or collaterals.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Research and development costs

The item includes external research and development costs that do not qualify for capitalisation.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, marketing costs and administrative costs.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year of property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on transactions in foreign currencies etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Other taxes

The item includes tax amounts calculated on a basis other than income for the year, which are not refunded to the Entity.

Balance sheet**Property, plant and equipment**

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	5 - 10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities.

Cash and cash equivalents comprise cash.