Zerion Pharma ApS

Blokken 11, st., 3460 Birkerød

Company reg. no. 40 16 92 29

Annual report

2020

The annual report was submitted and approved by the general meeting on the 6 May 2021.

J. Dynnes Hansen

Jakob Dynnes Hansen
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Zerion Pharma ApS for the financial year 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Birkerød, 27 April 2021

Managing Director

DocuSigned by:
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Ole Sylvester-Hvid Wiborg

Board of directors

DocuSigned by: 4C456BCE29C54CB...	DocuSigned by: AE458E8651DB433...	DocuSigned by: C17A177AC2C544E...
Peter Mohan Christiansen Chairman of the Board	Korbinian Arthur Maria Löbmann Vice-Chairman of the Board	Christian Bone Falk-Rønne
DocuSigned by: 35CBE487B95D478...	DocuSigned by: 7CE2120DCFF245C...	DocuSigned by: D1651649296F471...
Jorrit Jeroen Water	Ole Sylvester-Hvid Wiborg	Adam Jun Bohr

Independent auditor's report

To the shareholders of Zerion Pharma ApS

Opinion

We have audited the financial statements of Zerion Pharma ApS for the financial year 1 January - 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the 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 express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 27 April 2021

Baagøe | Schou
State Authorised Public Accountants
Company reg. no. 21 14 81 48

DocuSigned by:
Per Kold
861669D9E4C64DE...

Per Kold
State Authorised Public Accountant
mne8843

Company information

The company	Zerion Pharma ApS Blokken 11, st. 3460 Birkerød	
	Web site	www.zerion.eu
	Company reg. no.	40 16 92 29
	Domicile:	Rudersdal
	Financial year:	1 January - 31 December
Board of directors	Peter Mohan Christiansen, Chairman of the Board Korbinian Arthur Maria Löbmann, Vice-Chairman of the Board Christian Bone Falk-Rønne Jorrit Jeroen Water Ole Sylvester-Hvid Wiborg Adam Jun Bohr	
Managing Director	Ole Sylvester-Hvid Wiborg	
Auditors	Baagøe | Schou statsautoriseret revisionsaktieselskab Fiolstræde 44, 3. th. 1171 København K	

Management commentary

The principal activities of the company

Zerion Pharma ApS ("the Company") was established in Copenhagen in January 2019. The founder group included Ole Wiborg, CEO of the Company, and Korbinian Löbmann, key inventor behind Zerion's drug delivery technology.

Zerion aims to develop new pharmaceutical products based on its Dispersome technology platform which improves the solubility and thereby the bioavailability of pharmaceutical compounds. The Company pursues a dual strategy of building its own pipeline of drug candidates and in parallel collaborate with pharmaceutical companies who want to apply the Dispersome to improve the solubility of their own pharmaceutical compounds.

During 2020, the Company further developed its technology platform and conducted initial animal studies to show the effect of the technology. Zerion also initiated collaboration with 3 major pharma companies who are testing the technology on selected compounds within their portfolio. The Company has initiated discussions with other pharma companies about similar collaborations.

Development in activities and financial matters

The gross profit for the year totals DKK 784.000 against DKK -681.000 last year. The loss from ordinary activities after tax totals DKK -3.478.000 against DKK -1.051.000 last year. The management considers the net loss for the year as expected.

The Company finances its operations through a combination of partnership revenues, grants, share capital and loans. During 2020, the Company had revenues from collaborations with Big Pharma of DKK 1.2 million and it received grants of DKK 1.2 million. In addition, it raised a total of DKK 2.4 million by issuance of new share to a group of new investors. Finally, the Company received DKK 6 million in loans from Vækstfonden (the Danish Growth Fund).

The major part of the operating costs were related to R&D activities and comprised salaries to the R&D team as well as CMC, pre-clinical and other external R&D costs.

The Company is in discussions with both existing and potential new investors with the aim to raise additional financing for its operations.

As of 31 December 2020, the Company holds a total of 1,822 own shares which it has repurchased from two shareholders in accordance with the Shareholders' Agreement.

The management is aware that the Company has lost its equity capital, and has proposed that the capital be restored by injectuions of new sharecapital.

Events occurring after the end of the financial year

No events have occurred after the end of the financial year that could significantly affect the Company's financial position.

Income statement

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

Note		1/1 - 31/12 2020	14/1 - 31/12 2019
	Gross profit	**784.282**	**-681**
3	Staff costs	-1.993.450	-658
	Depreciation and impairment of property, land, and equipment	-655	0
	Research and development costs	-2.530.331	-8
	Operating profit	**-3.740.154**	**-1.347**
	Other financial costs	-271.269	-1
	Pre-tax net profit or loss	**-4.011.423**	**-1.348**
4	Tax on net profit or loss for the year	533.774	297
	Net profit or loss for the year	**-3.477.649**	**-1.051**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-3.477.649	-1.051
	Total allocations and transfers	**-3.477.649**	**-1.051**

Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

Assets

Note		2020	2019
	Non-current assets		
5	Other fixtures and fittings, tools and equipment	802.626	0
	Total property, plant, and equipment	802.626	0
	Total non-current assets	**802.626**	**0**
	Current assets		
	Trade receivables	595.152	0
6	Deferred tax assets	0	132
	Corporation tax receivables	665.407	165
	Other receivables	888.670	158
	Prepayments and accrued income	99.285	0
	Total receivables	2.248.514	455
	Cash on hand and demand deposits	3.948.613	580
	Total current assets	**6.197.127**	**1.035**
	Total assets	**6.999.753**	**1.035**

Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

Note	Equity and liabilities	2020	2019
	Equity		
	Contributed capital	102.246	91
	Share premium	0	991
	Retained earnings	-1.131.351	-1.051
	Total equity	**-1.029.105**	**31**
	Liabilities other than provisions		
7	Other payables	6.374.078	500
	Total long term liabilities other than provisions	6.374.078	500
	Current portion of long term payables	537.500	0
	Trade payables	760.479	391
	Other payables	356.801	113
	Total short term liabilities other than provisions	1.654.780	504
	Total liabilities other than provisions	**8.028.858**	**1.004**
	Total equity and liabilities	**6.999.753**	**1.035**

1 Uncertainties concerning the Company's ability to continue as a going concern
2 Special items
8 Charges and security
9 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 January 2020	91.117	990.983	-1.050.624	31.476
Cash capital increase	11.129	2.492.897	0	2.504.026
Retained earnings for the year	0	0	-3.477.649	-3.477.649
Transferred to retained earnings	0	-3.483.880	3.483.880	0
Costs of capital increase	0	0	-68.738	-68.738
Purchase of own shares	0	0	-18.220	-18.220
	102.246	**0**	**-1.131.351**	**-1.029.105**

Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

1. Uncertainties concerning the Company's ability to continue as a going concern

The management is aware that the Company has lost its equity capital, and has proposed that the capital be restored by injectuions of new sharecapital.

2. Special items

Special items include significant income and expenses of a special nature relative to the Company's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	1/1 - 31/12 2020
Income:	
Innofounder grant	1.050.000
	1.050.000
Special items are recognised in the following items in the financial statements:	
Gross Profit	1.050.000
Profit of special items, net	**1.050.000**

	1/1 - 31/12 2020	14/1 - 31/12 2019
3. Staff costs		
Salaries and wages	1.818.325	624
Pension costs	156.105	29
Other costs for social security	19.020	5
	1.993.450	**658**
Average number of employees	3	2

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

	1/1 - 31/12 2020	14/1 - 31/12 2019
4. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	-665.407	-165
Adjustment of deferred tax for the year	131.633	-132
	-533.774	**-297**

Estimated tax for the year comprises recognised tax credits for the income year 2020 with reference to LL § 8X regarding tax credits for research and development expenditures.

	31/12 2020	31/12 2019
5. Other fixtures and fittings, tools and equipment		
Cost 1 January 2020	0	0
Additions during the year	803.281	0
Disposals during the year	0	0
Cost 31 December 2020	**803.281**	**0**
Depreciation and writedown 1 January 2020	0	0
Amortisation and depreciation for the year	-655	0
Depreciation and writedown 31 December 2020	**-655**	**0**
Carrying amount, 31 December 2020	**802.626**	**0**

6. Deferred tax assets

The Company has deferred tax at a carrying amount of DKK 547.774 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 ampunt has not been recognised in the financial statements.

Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

		31/12 2020	31/12 2019
7.	**Other payables**		
	Total other payables	6.911.578	500
	Share of amount due within 1 year	-537.500	0
	Total other payables	**6.374.078**	**500**
	Share of liabilities due after 5 years	3.000.000	0

8. Charges and security

The Company does not have pledges or collaterals.

9. Contingencies

Contingent liabilities

	DKK in thousands
Consulting Services	340
Total contingent liabilities	**340**

Accounting policies

The annual report for Zerion Pharma ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The comparative figures cover the period 14 January 2019 - 31 December 2019 which was the company's first financial year.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The Company will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the Company, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Research and development costs

Research and development costs comprise external costs, salaries, and wages and depreciation directly or indirectly attributable to the company’s research and development activities.

Research costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

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

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group Companys, and other payables are measured at amortised cost which usually corresponds to the nominal value.