
Health and Happiness Research Fonden

Højbro Plads 10, DK-1200 Copenhagen K

Annual Report for 1 January - 31 December 2020

CVR No 40 65 20 86

The Annual Report was
presented and adopted at
the Meeting of the Board of
Directors on 28/4 2021

Kristian Schrøder Hart-
Hansen
Chairman of the Board of
Directors



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Health and Happiness Research Fonden ("HHF", "the Foundation") for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Foundation and of the results of the Foundation's operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

Copenhagen, 28 April 2021

Executive Board

Mariana-Catalina Cernica

Board of Directors

Kristian Schrøder Hart-Hansen
Chairman

Rane Willerslev

Jakob Mosegaard Larsen

Meik Wiking

Tine Gammeltoft

Independent Auditor's Report

To the Board of Directors and the Danish Business Authority

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Foundation at 31 December 2020 and of the results of the Foundation's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Health and Happiness Research Fonden for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Foundation'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 Foundation 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 Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the

Independent Auditor's Report

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.

Hellerup, 28 April 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Søren Alexander
State Authorised Public Accountant
mne42824

Information about the Foundation

The Foundation

Health and Happiness Research Fonden
Højbro Plads 10
DK-1200 Copenhagen K

CVR No: 40 65 20 86
Financial period: 1 January - 31 December
Financial year: 2nd financial year
Municipality of reg. office: Copenhagen

Board of Directors

Kristian Schrøder Hart-Hansen , Chairman
Rane Willerslev
Jakob Mosegaard Larsen
Meik Wiking
Tine Gammeltoft

Executive Board

Mariana-Catalina Cernica

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Mazanti-Andersen
Amaliegade 10
DK-1256 Copenhagen K

Bankers

Danske Bank
Holmens Kanal 2
DK-1092 Copenhagen K

Management's Review

Introduction

The Health & Happiness Research Foundation (HHF) is a commercial foundation established in June 2019 on the firm belief that the happiness of patients should be seen as an essential part of the health care and treatment they receive.

The overall vision of the foundation is, therefore, to strive for a world where happiness is seen as an essential part of the treatment of long-term health conditions. Mental, social, and physical health are intrinsically related; however, our current healthcare paradigm addresses discreet health issues and focuses on physical symptoms, without addressing the wider issues of wellbeing, especially those related to mental and social wellbeing. The healthcare system fundamentally tries to solve a problem, not to improve the overall quality of life. The foundation intends to challenge the current approaches and develop knowledge on the links between health and happiness for patients living with long-term health conditions.

The objective of the foundation is to promote the development and adoption of happiness as a prioritisation tool in the healthcare system and in the delivery of healthcare services to individuals. To achieve this overarching objective, the foundation will:

- Promote, collect and conduct scientific studies of the importance of happiness for individuals suffering from long-term health conditions. It shall gather data, generate knowledge and understanding of the importance of happiness for health. The Foundation will conduct valid and reliable studies that measure the subjective well-being of individuals, improving the commonly used measures of health-evaluation.
- Create an academic centre of excellence in happiness and health. It will drive the science of happiness and health forward by employing and supporting PhDs, Postdocs and Professors devoted to the subject.
- Foster and undertake cross-disciplinary work on health and happiness that uphold the highest scientific standards using both existing validated methodologies and exploring new methods and approaches.
- Be committed to the dissemination of scientific data and knowledge. It shall be an agent of open innovation and seek to ensure open access to the results of the scientific investigations undertaken in its name.
- Shed light on the real societal costs of long-term health conditions.
- Develop and promote tools to aid governments, healthcare systems and other agents in prioritizing healthcare means and efforts.
- Contribute to the global efforts to highlight the fact that mental and social well-being are as important as physical well-being for the overall health of individuals.

- Create alliances across areas and sectors to promote and qualify global debates on the importance of happiness for health.
- Give patients a voice in relation to their own health and healthcare making sure that their perspective and subjective well-being is understood and taken into account by governments, health-care systems and agents that are responsible for their treatment.
- Seek to influence academics, governments, NGOs, the general public and health-care professionals by promoting the importance of the happiness agenda for health of individuals.
- Aim to become a global leader working for the recognition of the importance of happiness for health.

Strategy & Operating Model: the impact of Covid-19

HHF focuses on two key strategic areas to deliver on its vision:

1. Establish relationships with researchers and academic KOLs, with health and wellbeing NGOs, with policy makers and patient associations to start building the Foundation's reputation as an advocate of health and happiness studies
2. Explore the relationship between health and happiness in multiple therapy areas, focusing on three work streams: a) A multi-year, multi-disease longitudinal study to gather data across non-communicable diseases (NCDs) and start building a deeper perspective into what is important for both patients and healthcare systems; b). Disease specific studies, in collaboration with healthcare professionals, other foundations, patient associations and advocates; c). Build an online data platform to make the data accessible for free to researchers and academic teams interested running their own analysis and publish their own findings to advance the scientific knowledge around the connections between health & happiness and around the ways to improve the way healthcare is designed and delivered.

2020 was the first full year of activity for HHF and it has been significantly impacted by the Covid-19 pandemic. This has manifested in less opportunities for funding, as possible partners, foundations and companies focused on addressing the immediate impact of the pandemic and de-prioritised new projects, especially in the first half of the year. This has hindered the Foundation's capacity to establish its reputation, forge partnerships and secure funding for its projects.

At the same time, we have seen a slow but steady increase in the overall attention given to wellbeing-related topics, as the pandemic has highlighted the importance of mental and social wellbeing aspects in managing overall health. The second half of the year was marked by a gradual recovery of the specific opportunities for the Foundation and we managed to deliver key activities including:

- Increase reach and engagement with researchers, policy makers and other relevant decision-makers:
 - a) Organise two webinars with over 150 sign-ups; one on the topic of adopting the QALY in Denmark, in collaboration with the Happiness Research Institute, one titled "Making digital work for older citizens: how can we learn from the pandemic", included on the UNGA virtual events calendar and organised in

collaboration with the Centre for Ageing Well at the Copenhagen University and School of Medicine and Health Sciences of Tecnológico de Monterrey in Mexico;

b) Participate in virtual panels and conferences on specific topics related to wellbeing, “building back better” and SDGs, like the Regeneration 20|30 conference in Italy and the WhatsNext series organised by the Global Innovation Forum;

- Develop relationships and connections with universities, opinion leaders and researchers

a) Employed our first Research Analyst, Stine Derdau Sorenson, a PhD in neurology with experience in big data, multi-disciplinary projects, writing applications and publishing scientific papers

b) Build connections with the MedTech Innovation Cluster (to become the Danish Life Science Cluster from May 2021), the Nordic Health Labs and the Viborg municipality – that materialised in a collaborative funding application to the Innovation Fund in early 2021.

Given the limited awareness that the Foundation still has and our very limited portfolio of experiences, we were unsuccessful in securing funding in 2020. As such, we have revised our strategy and in 2021 we will focus on collaborative opportunities for large funding – see the aforementioned Innovation Fund application. The type of projects and we are aiming for are in areas of high importance for the society and where we think that bringing our approach would make a difference: health & happiness at work; ageing population and wellbeing; loneliness and its impact on health and resources; employing wellbeing frameworks to address public health issues.

Management

The Board of Directors is responsible for the overall and strategic oversight of the foundation and will perform the following key activities:

- ensure the strategic and financial governance of the foundation

-oversee the funding strategy of the foundation

- keep the management team of the foundation to the highest ethical and professional standards in conducting the Foundation’s activities

- ensure the highest standards in data collection, analysis and scientific method are met

- facilitate the progress of the agreed strategic priorities by promoting the mission and activities of the Foundation

- set-up and govern working groups as relevant to deliver the mission of the foundation

- appoint the CEO of the Foundation.

Board of Directors

Kristian Schrøder Hart-Hansen, Chairman of the Board

LinkedIn profile: <https://www.linkedin.com/in/kristianharthansen/>

- Male, 44 years old
- CEO of Astrup Gods A/S
- Commencement date on the board: 28 June 2019; current mandate from 20 April 2020 for 2 years
- Appointed by the founder, LEO Pharma, not an independent member of the board
- Other management level positions:
 - o Member Board of Directors, Nordic Health Lab
 - o Member Board of Directors, SkinVision BV
 - o Member Board of Directors, SustainBase ApS
 - o Member Board of Directors, The HabLab ApS
 - o Chairman of the Board, HelloSkin ApS
 - o Advisory Board Member, Disruption Taskforce, Ministry of Industry, Business and Financial Affairs
 - o Chairman on the Board of Directors, Valeos Pharma
 - o Executive Advisor, Szpirt & Company

Rane Willerslev, Board Member

- Male, 50 years old
- Director of the National Museum of Denmark and Professor in Anthropology at Aarhus University
- Commencement date on the board: 28 June 2019; current mandate from 20 April 2020 for 2 years; Independent member of the Board
- Other management level positions:
 - o Member Board of Directors, The Danish Management Society (VL), Group VL1
 - o Member Board of Directors, The WILD Nature Foundation Denmark
 - o Ambassador for the NORDEN Association
 - o Ambassador for UNICEF Denmark

Jakob Mosegaard Larsen, Board Member

LinkedIn profile: <https://www.linkedin.com/in/jakob-mosegaard-larsen-79658a/>

- Male, 48 years old
- Lawyer, Partner at Mazanti-Andersen Korsø Jensen Advokatpartnerselskab
- Commencement date on the board: 28 June 2019; current mandate from 20 April 2020 for 2 years
- Appointed by the founder, LEO Pharma, not an independent member of the board
- Other management level positions:
 - o Member Board of Directors, Nordic Biotech Advisors ApS
 - o Member Board of Directors, Forward Pharma A/S, Forward Pharma FA ApS
 - o Member Board of Directors, FWP IP ApS, FWP HoldCo ApS, FWP-fonden
 - o Member Board of Directors, Advokatanpartsselskabet Mazanti-Andersen Korsø Jensen and Mazanti-

Andersen Korsø Jensen Advokatpartnerselskab

Meik Wiking, Board Member

LinkedIn profile: <https://www.linkedin.com/in/meik-wiking-ab84a72/>

- Male, 43 years old
- CEO at The Happiness Research Institute
- Commencement date on the board: 20 April 2020, mandate for 2 years
- Appointed by the board, not an independent member of the board
- Other management level positions:
 - o Director M Wiking Holding Aps
 - o CEO of Happy Writing Aps
 - o CEO of the Happiness Museum Aps
 - o Member of the advisor panel to the Global Happiness Policy Report

Tine Gammeltoft, Board Member

- Female, 56 years old
- Professor, Department of Anthropology, University of Copenhagen
- Commencement date on the board: 20 April 2020, mandate for 2 years
- Appointed by the board, independent member of the board
- Other management level positions
 - o Head of PhD program, Dept of Anthropology, University of Copenhagen
 - o Vice-Head of Department for Research, Dept of Anthropology, University of Copenhagen.

The Board of Directors have not received any remuneration.

Recommendations on foundation governance

The foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance www.godfondsledelse.dk

| Recommendation | The foundation complies | The foundation does not comply and explains |
|--|-------------------------|---|
| 1. Transparency and communication | | |
| 1.1. IT IS RECOMMENDED that the board of directors adopt guidelines for external communication, including who can make public statements on behalf of the foundation and on what matters. The guidelines should address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation. | Yes | |
| 2. Tasks and responsibilities of the board of directors | | |
| 2.1 Overall tasks and responsibilities | | |
| 2.1.1 IT IS RECOMMENDED that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, at least once a year the board of directors take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association. | Yes | |
| 2.2 Chairman and vice-chairman of the board of directors | | |
| 2.2.1 IT IS RECOMMENDED that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively. | Yes | |
| 2.2.2 IT IS RECOMMENDED that if, in addition to the position as chairman, in exceptional circumstances, the chairman of the board of directors is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the board of directors retains its independent, overall management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any. | Yes | |

| Recommendation | The foundation complies | The foundation does not comply and explains |
|---|-------------------------|---|
| 2.3 Composition and organization of the board of directors | | |
| 2.3.1 IT IS RECOMMENDED that the board of directors regularly assess and stipulate the competences that the board of directors is to possess in order to perform the tasks incumbent upon the board of directors as well as possible. | Yes | |
| 2.3.2 IT IS RECOMMENDED that, with due respect of any right in the articles of association to make appointments, the board of directors ensures a structured, thorough and transparent process for selection and nomination of candidates for the board of directors. | Yes | |
| 2.3.3 IT IS RECOMMENDED that members of the board of directors are appointed on the basis of their personal qualities and competences taking into account the collective competences of the board and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity is considered in relation to commercial and grants experience, age and gender. | Yes | |
| <p>2.3.4 IT IS RECOMMENDED that in the management review in the annual report and on the commercial foundation's website, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, • any special competences possessed by the member, | Yes | <p>For brevity, we have included on the website:</p> <ul style="list-style-type: none"> - the name and the position - short bio with focus on relevant competencies - link to their LinkedIn profiles in respect to details of their further positions |

| Recommendation | The foundation complies | The foundation does not comply and explains |
|---|-------------------------|---|
| <ul style="list-style-type: none"> • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. | | |
| <p>2.3.5 IT IS RECOMMENDED that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.</p> | Not applicable | Not applicable |
| <p>2.4 Independence</p> | | |
| <p>2.4.1 IT IS RECOMMENDED that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of up to four members, at least one member should be independent. If the board of directors is composed of between five and eight members, at least two members should be independent. If the board of directors is composed of nine to eleven members, at least three members should be independent, and so on.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board, or senior employee in the foundation, or a subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation, • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation, • be or within the past three years have been employed or partner at the external auditor, | Yes | |

| Recommendation | The foundation complies | The foundation does not comply and explains |
|---|-------------------------|--|
| <ul style="list-style-type: none"> • have been a member of the board of directors or executive board of the foundation for more than 12 years, • have close relatives with persons who are not considered as independent, • is the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or • a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years have received significant donations from the foundation. | | |
| 2.5 Appointment period | | |
| 2.5.1 IT IS RECOMMENDED that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years. | Yes | |
| 2.5.2 IT IS RECOMMENDED that an age limit for members of the board of directors be set, which is published in the management review or on the foundation's website. | No | The Foundation recognizes that excellence in academic and scientific work in health and happiness can come from any age and had decided accordingly not to set an age limit. |
| 2.6 Evaluation of the performance of the board of directors and the executive board | | |
| 2.6.1 IT IS RECOMMENDED that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually and the result is discussed by the board of directors. | Yes | |
| 2.6.2 IT IS RECOMMENDED that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria. | Yes | |

| Recommendation | The foundation complies | The foundation does not comply and explains |
|--|-------------------------|---|
| 3. Remuneration of management | | |
| 3.1. IT IS RECOMMENDED that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of a possible executive board be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position. | Yes | |
| 3.2 IT IS RECOMMENDED that the annual financial statements provide information about the full remuneration received by each member of the board of directors and executive board (if relevant) from the commercial foundation and from other enterprises in the group. Furthermore there should be information on any other remuneration which members of the board of directors, except for employee representatives, have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation. | Yes | |

Statement of the foundation's distribution policy

In accordance with the charter, the Foundation may make cash and other distributions to non-profit purposes, including studies, research scientists and organisations. However, currently the Foundation's distribution policy is not distribute as the distributable reserves of the Foundation have been earmarked for the Foundation's commercial purpose.

Development in the year

The income statement of the Foundation for 2020 shows a loss of DKK 3.123.724 against DKK 977,754 in 2019, and at 31 December 2020 the balance sheet of the Foundation shows equity of DKK 6.479.522 against DKK 9,603,246 in 2019.

During 2020, Management has reassessed the value of the intangible asset, which has resulted in an impairment of DKK 3,654,286 million. Moreover, Management has reassessed the economic lifetime of the same asset to three years, which has resulted in an increased depreciation of the asset with a one-time effect of DKK 472,000.

Subsequent events

Please refer to Note 1.

Income Statement 1 January - 31 December

| | Note | 01.01.2020 - 31.12.2020 DKK | 28.06.2019 - 31.12.2019 DKK |
|--|------|-----------------------------------|-----------------------------------|
| Other operating income | | 4,003,118 | 0 |
| Other external expenses | | <u>-637,381</u> | <u>-46,713</u> |
| Gross profit/loss | | 3,365,737 | -46,713 |
| Staff expenses | 2 | -694,689 | -291,452 |
| Depreciation, amortisation and impairment of intangible assets | 3 | <u>-5,781,786</u> | <u>-635,714</u> |
| Profit/loss before financial income and expenses | | -3,110,738 | -973,879 |
| Financial expenses | 4 | <u>-12,986</u> | <u>-3,875</u> |
| Profit/loss before tax | | -3,123,724 | -977,754 |
| Tax on profit/loss for the year | | <u>0</u> | <u>0</u> |
| Net profit/loss for the year | | <u>-3,123,724</u> | <u>-977,754</u> |

Distribution of profit

Proposed distribution of profit

| | | | |
|-------------------|--|--------------------------|------------------------|
| Retained earnings | | <u>-3,123,724</u> | <u>-977,754</u> |
| | | <u>-3,123,724</u> | <u>-977,754</u> |

Balance Sheet 31 December

Assets

| | Note | 31.12.2020 DKK | 31.12.2019 DKK |
|---------------------------------|------|-------------------|-------------------|
| Acquired rights, PsoHappy | | 2,482,500 | 8,264,286 |
| Intangible assets | 5 | 2,482,500 | 8,264,286 |
| Fixed assets | | 2,482,500 | 8,264,286 |
| Other receivables | | 4,568,236 | 2,300,791 |
| Receivables | | 4,568,236 | 2,300,791 |
| Cash at bank and in hand | | 1,697,362 | 1,677,125 |
| Currents assets | | 6,265,598 | 3,977,916 |
| Assets | | 8,748,098 | 12,242,202 |

Balance Sheet 31 December

Liabilities and equity

| | <u>Note</u> | <u>31.12.2020</u> DKK | <u>31.12.2019</u> DKK |
|--|-------------|--------------------------|--------------------------|
| Base capital | | 10,581,000 | 10,581,000 |
| Retained earnings | | -4,101,478 | -977,754 |
| Equity | | <u>6,479,522</u> | <u>9,603,246</u> |
| Trade payables | | <u>2,268,576</u> | <u>2,638,956</u> |
| Short-term debt | | <u>2,268,576</u> | <u>2,638,956</u> |
| Debt | | <u>2,268,576</u> | <u>2,638,956</u> |
| Liabilities and equity | | <u>8,748,098</u> | <u>12,242,202</u> |
| Subsequent events | 1 | | |
| Contingent assets, liabilities and other financial obligations | 6 | | |
| Related parties | 7 | | |
| Accounting Policies | 8 | | |

Statement of Changes in Equity

| | <u>Base capital</u> DKK | <u>Retained earnings</u> DKK | <u>Total</u> DKK |
|-----------------------------------|----------------------------|-------------------------------------|-------------------------|
| Equity at 1 January 2020 | 10,581,000 | -977,754 | 9,603,246 |
| Net profit/loss for the year | 0 | -3,123,724 | -3,123,724 |
| Equity at 31 December 2020 | <u>10,581,000</u> | <u>-4,101,478</u> | <u>6,479,522</u> |

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

| | 01.01.2020 - 31.12.2020 <u>DKK</u> | 28.06.2019 - 31.12.2019 <u>DKK</u> |
|---|--|--|
| 2 Staff expenses | | |
| Wages and salaries | 694,689 | 291,452 |
| | 694,689 | 291,452 |
| Including remuneration to the Executive Board of: Executive Board | 694,689 | 291,452 |
| | 694,689 | 291,452 |
| Average number of employees | 1 | 1 |
| 3 Depreciation, amortisation and impairment of intangible assets | | |
| Depreciation of property, plant and equipment | 2,127,500 | 635,714 |
| Impairment of property, plant and equipment | 3,654,286 | 0 |
| | 5,781,786 | 635,714 |
| 4 Financial expenses | | |
| Other financial expenses | 12,986 | 3,875 |
| | 12,986 | 3,875 |

Notes to the Financial Statements

5 Intangible assets

| | Acquired rights, PsoHappy DKK |
|--|-------------------------------------|
| Cost at 1 January 2020 | 8,900,000 |
| Cost at 31 December 2020 | 8,900,000 |
| Impairment losses and amortisation at 1 January 2020 | 635,714 |
| Impairment losses for the year | 3,654,286 |
| Amortisation for the year | 2,127,500 |
| Impairment losses and amortisation at 31 December 2020 | 6,417,500 |
| Carrying amount at 31 December 2020 | 2,482,500 |
| Amortised over | 3 years |

Impairment in 2020 relates to data and knowhow.

6 Contingent assets, liabilities and other financial obligations

There are no security and contingent liabilities at 31 December 2020.

Notes to the Financial Statements

7 Related parties

No related parties control the Foundation.

The related parties to Health and Happiness Research Fonden are:

- Leo Pharma A/S, that performs "Key Management Service" to the Foundation
- The Foundation's Board of Directors and the Executive Board and their close family members
- Entities in which the Foundation's Board of Directors and the Executive Board exercise controlling influence

The following transactions took place between Health and Happiness Research Fonden and Leo Pharma A/S in 2020:

DKK 701k for invoicing of the Executive Board's salary and travel expenses.

DKK 4.000k in grants of which DKK 2.000k is received in 2020 and DKK 2.000k will be received in 2021.

The following transaction took place between Health and Happiness Research Fonden and The Happiness Research Institute ApS in 2020:

DKK 245k for invoicing of consultancy assistance.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Health and Happiness Research Fonden for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Foundation, and the value of the liability can be measured reliably.

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

Income Statement

Other external expenses

Other external expenses comprise administration costs, auditor costs as well as general office expenses, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

8 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Foundation, including grants.

Financial income and expenses

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

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance Sheet

Intangible assets

Other acquired rights consist of a technical platform and a database received at formation of the Foundation. The intangible assets are amortised on a straight-line basis over its useful life, which is assessed at 3 years (2019: 7 years).

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Receivables

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

Notes to the Financial Statements

8 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

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

Distributions

Distributions paid out

Distributions that have been adopted and paid out in accordance with the purpose of the Foundation at the balance sheet date are deducted from equity in connection with distribution of profit.

Distributions not yet paid out

Distributions that have been adopted in accordance with the purpose of the Foundation at the balance sheet date and have been announced to the recipients, but have not yet been paid out at the balance sheet date, are deducted equity in connection with distribution of profit and recognised as debt.

Distribution framework

At the meeting of the Board of Directors at which the Annual Report is adopted, the Board of Directors lays down a distribution framework in respect of the amount expected to be distributed. This amount is transferred from distributable reserves to the distribution framework. Concurrently with being announced to the recipients, the distribution amounts are paid out, or they are transferred to debt or, in rare cases, to provisions relating to distributions.

Provisions relating to distributions

In case of distributions which have been announced to the recipient and which are conditional upon one or more events taking place at the recipient, the obligation may be uncertain as to amount or time of payment. Such items are recognised in provisions relating to distributions.