

Biograil ApS

Slettehavevej 77, 4690 Haslev
CVR no. 40 66 66 99

Annual report for the financial year 17.07.19 - 31.12.20

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.04.21

Lars Lüthjohan Jensen
Dirigent



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The company

Biograil ApS
Slettehavevej 77
4690 Haslev
Registered office: Haslev
CVR no.: 40 66 66 99
Financial year: 01.01 - 31.12

Executive Board

Karsten Lindhardt

Board of Directors

Anke Cassing
John Michael Barberich
Lars Hellerung Christiansen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 17.07.19 - 31.12.20 for Biograil ApS.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.20 and of the results of the company's activities for the financial year 17.07.19 - 31.12.20.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Haslev, March 24, 2021

Executive Board

Karsten Lindhardt

Board of Directors

Anke Cassing

John Michael Barberich

Lars Hellerung Christiansen

To the capital owner of Biograil ApS**Opinion**

We have audited the financial statements of Biograil ApS for the financial year 17.07.19 - 31.12.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.20 and of the results of the company's operations for the financial year 17.07.19 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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 "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the 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 in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 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.

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 skepticism 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Soeborg, Copenhagen, March 24, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Thomsen
State Authorized Public Accountant
MNE-no. mne34079

Primary activities

The company's activities comprise to develop advanced medical products.

Development in activities and financial affairs

The income statement for the period 17.07.19 - 31.12.20 shows a profit/loss of DKK -6,567,242. The balance sheet shows equity of DKK 16,064,581.

During 2020 we have made substantial progress on the BIONDDTM technology and generated two new patent application and later added two additional patent application in early 2021. We have had many discussions with various pharmaceutical companies with interest in collaboration and licenses to the Biograil technology

The management considers the loss for the year to be expected.

Subsequent events

In December 2020, Biograil announced a collaboration/license agreement with Janssen/J&J, worlds #1 company in combined MedTech/Pharmaceutical field. Financials of this agreement has not been disclosed but includes research and some financial support including a significant longer term commitment from Janssen/J&J. Dialogue with other large pharmaceutical companies are ongoing and will continue in 2021.

We are currently preparing a bridge (Seed 2) round of 1-3 million Euro and already have considerable commitment from internal investors which is enough to close the round, but we continue to attract additional investors to see if we can get to the 3 mill Euro maximum providing us with larger flexibility in relation to raising additional capital (series A). In parallel we work with larger Venture Capital companies to raise 25-30 mill Euro a bit later in 2021, which will be used to expand Biograil operations and initiate clinical phase-1 studies. This progression of the technology is expected in the future to enable very financial attractive arrangements with various pharmaceutical companies having interest in transforming injectable products to a easy to swallow capsule preferred by the patients.

No other important events have occurred after the end of the financial year.

	17.07.19	31.12.20
Note		DKK
Gross loss		-5,820,095
1 Staff costs		-2,779,705
Loss before depreciation, amortisation, write-downs and impairment losses		-8,599,800
Amortisation and impairments losses of intangible assets		-81,411
Loss before net financials		-8,681,211
Financial income		12,419
Financial expenses		-135,696
Loss before tax		-8,804,488
Tax on loss for the year		2,237,246
Loss for the year		-6,567,242
Proposed appropriation account		
Retained earnings		-6,567,242
Total		-6,567,242

ASSETS		31.12.20
		DKK
Note		
	Acquired rights	732,703
2	Total intangible assets	732,703
3	Equity investments in group enterprises	7,457
	Total investments	7,457
	Total non-current assets	740,160
	Receivables from group enterprises	36,337
	Income tax receivable	2,237,246
	Other receivables	537,033
	Prepayments	3,611
	Total receivables	2,814,227
	Cash	13,505,979
	Total current assets	16,320,206
	Total assets	17,060,366

EQUITY AND LIABILITIES		31.12.20
		DKK
Note		
	Share capital	176,508
	Retained earnings	15,888,073
	Total equity	16,064,581
	Other payables	73,396
	Total long-term payables	73,396
	Payables to other credit institutions	8,953
	Trade payables	490,928
	Other payables	422,508
	Total short-term payables	922,389
	Total payables	995,785
	Total equity and liabilities	17,060,366

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings
Statement of changes in equity for 17.07.19 - 31.12.20			
Capital contributed on establishment	176,508	22,455,315	0
Transfers to/from other reserves	0	-22,455,315	22,455,315
Net profit/loss for the year	0	0	-6,567,242
Balance as at 31.12.20	176,508	0	15,888,073

17.07.19
31.12.20
DKK

1. Staff costs

Wages and salaries	2,473,583
Pensions	205,362
Other social security costs	9,691
Other staff costs	91,069
Total	2,779,705
Average number of employees during the year	3

2. Intangible assets

Figures in DKK	Acquired rights
Additions during the year	814,114
Cost as at 31.12.20	814,114
Amortisation during the year	-81,411
Amortisation and impairment losses as at 31.12.20	-81,411
Carrying amount as at 31.12.20	732,703

3. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Additions during the year	7,457
Cost as at 31.12.20	7,457
Carrying amount as at 31.12.20	7,457
Name and registered office:	
Participating interests:	
Biograil UG, Berlin	100%

4. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

No comparative figures have been provided as this is the company's first financial year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

INCOME STATEMENT

Gross loss

Gross loss comprises other operating income and raw materials and consumables and other external expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

4. Accounting policies - continued -

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Amortisation and impairment losses

The amortisation of intangible assets aim at systematic amortisation over the expected useful lives of the assets. Assets are amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful life, year	Residual value, per cent
Acquired rights	10	0

The basis of amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

4. Accounting policies - continued -

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Intangible assets

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Equity investments in group enterprises as well as participating interests

Equity investments in group enterprises

Equity investments in subsidiaries are measured in the balance sheet at cost less any impairment losses. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Participating interests

Participating interests are recognised and measured according to the equity method. For participating interests, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Equity method

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent,

4. Accounting policies - continued -

adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

4. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Current and deferred tax

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

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.