

Twelve Bio ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 40 80 43 07

Annual report 2021

Approved at the Company's annual general meeting on 10 May 2022

Chair of the meeting:

Gita Dittmar

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Gita Dittmar

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Twelve Bio ApS for the financial year 1 January - 31 December 2021.

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 of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

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

Copenhagen, 10 May 2022
Executive Board:

Stefano Stella

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Stefano Stella

Board of Directors:

Gita Dittmar

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Gita Padmavathy Dittmar
Chair

Guillermo Montoya

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Guillermo Montoya Blanco

Mark Chin

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Mark David Chin

Stefano Stella

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Stefano Stella

Independent auditor's report

To the shareholders of Twelve Bio ApS

Opinion

We have audited the financial statements of Twelve Bio ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 the 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- ▶ 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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


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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 10 May 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter U. Faurshou
State Authorised Public Accountant
mne34502



Christian Jøker
State Authorised Public Accountant
mne31471

Management's review

Company details

Name	Twelve Bio ApS
Address, Postal code, City	Ole Maaløes Vej 3, 2200 Copenhagen N
CVR no.	40 80 43 07
Established	23 September 2019
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Gita Padmavathy Dittmar, Chair Guillermo Montoya Blanco Mark David Chin Stefano Stella
Executive Board	Stefano Stella
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management commentary

Business review

Twelve Bio is engaged in the discovery and development of therapeutic gene editing products, based on the foundational science and intellectual property around structure and function of the CRISPR-associated protein Cas12a.

Unusual matters having affected the financial statements

During the financial year, it was established that a receivable as per 31 December 2020 was incorrectly recognized as an expense in 2020, which impacts the financial statements for 2020. The error has been corrected as a materiel misstatement by restating comparatives and opening equity figures in the current-year financial statements. Reference is made to note 1 to the financial statements for further explanation.

Financial review

The income statement for 2021 shows a loss of EUR 1,784 thousand against a loss of EUR 523 thousand last year, and the balance sheet at 31 December 2021 shows equity of EUR 2,379 thousand.

In 2021, the Company received the second tranche of the seed financing in the amount of EUR 2.5 million and a small non-dilutive grant of approximately EUR 113 thousand. During 2021, the company expanded the research team and established proof of concept for the technology platform and for the base editing technology. As well, the company developed a 3 year strategic plan, strengthened its intellectual property portfolio, and initiated dialog with potential new investors for an anticipated series A equity fundraising event.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Management's review

Outlook

During 2022 and 2023, we expect to close our series A equity round, expand our platform technology capabilities, select and initiate proof of concept studies for our first 2 development targets, and close a strategic partnership to access delivery technology. As the product development cycle in the pharmaceutical industry is in the range of 8-10 years from candidate to approval, we expect to raise additional equity capital, as well as non-dilutive capital from strategic partners, to support the Company prior to commercialization our first product.

Financial statements 1 January - 31 December

Income statement

Note	EUR	2021 12 months	2019/20 16 months
	Gross loss	-1,272,147	-471,813
2	Staff costs	-916,870	-241,502
	Depreciation and impairment of property, plant and equipment	-12,135	0
	Profit/loss before net financials	-2,201,152	-713,315
	Financial income	872	11,126
	Financial expenses	-21,671	-13,111
	Profit/loss before tax	-2,221,951	-715,300
3	Tax for the year	437,455	191,855
	Profit/loss for the year	-1,784,496	-523,445
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-1,784,496	-523,445
		-1,784,496	-523,445

Financial statements 1 January - 31 December

Balance sheet

Note	EUR	2021	2019/20
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	67,256	0
		<u>67,256</u>	<u>0</u>
	Total fixed assets	<u>67,256</u>	<u>0</u>
	Non-fixed assets		
	Receivables		
	Corporation tax receivable	437,455	191,855
	Other receivables	43,469	30,323
	Prepayments	52,824	175,087
		<u>533,748</u>	<u>397,265</u>
	Cash	<u>2,010,129</u>	<u>1,478,421</u>
	Total non-fixed assets	<u>2,543,877</u>	<u>1,875,686</u>
	TOTAL ASSETS	<u>2,611,133</u>	<u>1,875,686</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	13,589	9,748
	Retained earnings	2,365,525	1,654,984
	Total equity	<u>2,379,114</u>	<u>1,664,732</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	157,719	149,719
	Other payables	74,300	61,235
		<u>232,019</u>	<u>210,954</u>
	Total liabilities other than provisions	<u>232,019</u>	<u>210,954</u>
	TOTAL EQUITY AND LIABILITIES	<u>2,611,133</u>	<u>1,875,686</u>

1 Accounting policies

5 Contractual obligations and contingencies, etc.

Financial statements 1 January - 31 December**Statement of changes in equity**

EUR	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	9,748	1,507,043	1,516,791
Adjustment of equity through corrections of materiel misstatements	0	147,941	147,941
Adjusted equity at 1 January 2021	9,748	1,654,984	1,664,732
Capital increase	3,841	2,495,037	2,498,878
Transfer through appropriation of loss	0	-1,784,496	-1,784,496
Equity at 31 December 2021	<u>13,589</u>	<u>2,365,525</u>	<u>2,379,114</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Twelve Bio ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Material misstatements

During the financial year, it was established that a receivable as per 31 December 2020 was incorrectly recognized as an expense in 2020, which impacts the financial statements for 2020. As a result of the error, the Company has in prior financial year recognized other external expenses at a too high amount, while receivables were recognized at a too low amount, and therefore the financial statements for 2020 do not provide a true and fair view. Therefore, the error has been corrected as a material misstatement by restating comparatives and opening equity figures in the current-year financial statements. In consequence of the restatement, other external expenses for 2020 have been reduced by EUR 148 thousand and receivables have been increased by EUR 148 thousand. In total, the balance sheet has been increased by EUR 148 thousand, and equity has been increased by EUR 148 thousand.

Reporting currency

The financial statements are presented in euros (EUR), as the Company's most significant transactions are settled in EUR.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross loss

The items donation, other operating income and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Research and development costs

Twelve Bio expenses all research costs. In line with industry practice, internal and subcontracted development costs are also expensed as they are incurred, due to significant regulatory uncertainties and other uncertainties inherent in the development of new products. This means that they do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment 3 - 5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Liabilities are measured at net realisable value.

Financial statements 1 January - 31 December**Notes to the financial statements**

EUR	2021 12 months	2019/20 16 months
2 Staff costs		
Wages/salaries	891,800	236,973
Pensions	4,416	904
Other staff costs	20,654	3,625
	916,870	241,502
 Average number of full-time employees	 10	 2
 3 Tax for the year		
Estimated tax charge for the year	-437,455	-191,855
	-437,455	-191,855
 4 Property, plant and equipment		Fixtures and fittings, other plant and equipment
 EUR		
Cost at 1 January 2021		0
Additions		79,391
Cost at 31 December 2021		79,391
Impairment losses and depreciation at 1 January 2021		0
Depreciation		12,135
Impairment losses and depreciation at 31 December 2021		12,135
Carrying amount at 31 December 2021		67,256

5 Contractual obligations and contingencies, etc.**Contingent liabilities**

Rent liabilities include obligations totalling EUR 35 thousand with remaining contract terms of 14 months.

Contingent assets

The Company has tax loss carry-forwards totalling EUR 1.051 thousand. The nominal value thereof is 22%, totalling EUR 231 thousand. The tax asset has not been recognised in the balance sheet due to the uncertainty as to the utilisation of the tax losses.