



2N Pharma ApS

Niels Jernes Vej 10
9220 Aalborg Øst
CVR No. 41169303

Annual report 2021

The Annual General Meeting adopted the
annual report on 30.06.2022

Preben Bruun-Nyzell

Chairman of the General Meeting

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Entity details

Entity

2N Pharma ApS
Niels Jernes Vej 10
9220 Aalborg Øst

Business Registration No.: 41169303
Registered office: Aalborg
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Alex Leech, Chairman
Preben Bruun-Nyzell, board member
Josephus Dirk Vestergaard Nieland, board member
John Kemp, board member

Executive Board

Preben Bruun-Nyzell
Josephus Dirk Vestergaard Nieland

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management

The Board of Directors has today considered and approved the annual report of 2N Pharma ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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

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

Aalborg, 05.07.2022

Board of Directors

Alex Leech
Chairman

Preben Bruun-Nyzell
board member

Josephus Dirk Vestergaard Nieland
board member

John Kemp
board member

Independent auditor's extended review report

To the shareholders of 2N Pharma ApS

Conclusion

We have performed an extended review of the financial statements of 2N Pharma ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter

Without prejudice to our conclusion, we shall refer to the disclosure in note 1, Information on uncertainty with respect to recognition and measurement, where the uncertainty associated with the measurement of the company's development activities is mentioned.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and

perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our conclusion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

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

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

Aalborg, 05.07.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Peter Nørrevang

State Authorised Public Accountant
Identification No (MNE) mne11706

Management commentary

Primary activities

2N Pharma ApS is a private drug discovery and development company whose principal activity is to develop medicines for the treatment of diseases with high unmet medical needs. 2N Pharma has developed novel small-molecules that are being optimised for the treatment of neurodegenerative diseases.

Development in activities and finances

The loss for the period 1 January 2021 to 31 December 2021 amounted to DKK 0.318m.

The loss is mainly related to research activities not capitalised and management considers the result satisfactory and in accordance with expectations.

Capital resources

During the reporting period, the company has continued its development of therapeutic drugs for the treatment of ALS and other neurodegenerative diseases. During the period, the company incurred DKK 10.041m development costs that have been capitalised, as well as costs for research and other activities not capitalised. The company received an equity contribution of DKK 9.329m from the parent company, 2N Pharma Holding ApS and the balance sheet as of 31 December 2021 shows equity of DKK 8.862m.

As a development company without significant sources of revenue, the company is depending on investments and grants to fund its operations. The board and management team are in discussions with a range of Danish and international investment funds and pharmaceutical companies, and believe it is likely that additional capital will be raised during 2022. On 2 December 2021, the company was notified that the United States Department of Defense had granted funding of USD 0.944m, approximately DKK 6.6m, to support 2N Pharma's work. The funding is granted on a reimbursement basis and will benefit the company during 2022.

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		1,538,094	335,884
Staff costs	2	(2,961,407)	(593,806)
Depreciation, amortisation and impairment losses		(16,359)	(3,497)
Operating profit/loss		(1,439,672)	(261,419)
Other financial income		25,917	17,163
Other financial expenses		(82,567)	(4,269)
Profit/loss before tax		(1,496,322)	(248,525)
Tax on profit/loss for the year	3	1,177,858	60,595
Profit/loss for the year		(318,464)	(187,930)
Proposed distribution of profit and loss			
Retained earnings		(318,464)	(187,930)
Proposed distribution of profit and loss		(318,464)	(187,930)

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Development projects in progress	5	13,755,650	3,714,149
Intangible assets	4	13,755,650	3,714,149
Other fixtures and fittings, tools and equipment		101,972	51,988
Property, plant and equipment	6	101,972	51,988
Fixed assets		13,857,622	3,766,137
Other receivables		64,761	40,000
Income tax receivable		2,049,556	811,062
Prepayments		33,660	22,813
Receivables		2,147,977	873,875
Cash		772,708	6,193,548
Current assets		2,920,685	7,067,423
Assets		16,778,307	10,833,560

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		40,000	40,000
Reserve for development expenditure		2,897,036	2,897,036
Retained earnings		5,925,800	(3,084,966)
Equity		8,862,836	(147,930)
Deferred tax		1,622,165	750,467
Provisions		1,622,165	750,467
Convertible and dividend-yielding debt instruments		5,749,688	9,952,000
Other payables		0	10,625
Non-current liabilities other than provisions	7	5,749,688	9,962,625
Trade payables		143,647	166,591
Income tax payable		11,959	0
Other payables		388,012	101,807
Current liabilities other than provisions		543,618	268,398
Liabilities other than provisions		6,293,306	10,231,023
Equity and liabilities		16,778,307	10,833,560

Uncertainty relating to recognition and measurement 1

Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	40,000	2,897,036	(3,084,966)	(147,930)
Group contributions etc	0	0	9,329,230	9,329,230
Profit/loss for the year	0	0	(318,464)	(318,464)
Equity end of year	40,000	2,897,036	5,925,800	8,862,836

Notes

1 Uncertainty relating to recognition and measurement

Due to its special activity as a development company, there is a natural uncertainty related with the measurement of the company's development activities.

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	2,866,163	568,969
Other social security costs	22,319	3,143
Other staff costs	72,925	21,694
	2,961,407	593,806
Average number of full-time employees	5	1

3 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	(1,177,858)	(811,062)
Change in deferred tax	0	750,467
	(1,177,858)	(60,595)

4 Intangible assets

	Development projects in progress
	DKK
Cost beginning of year	3,714,149
Additions	10,041,501
Cost end of year	13,755,650
Carrying amount end of year	13,755,650

5 Development projects

The company's lead indication is amyotrophic lateral sclerosis (ALS), a rapidly progressing and fatal neurodegenerative disease. Every year approximately 20,000 patients in the seven major markets are diagnosed with ALS and there is currently no effective treatment available. Hence, there is a very large unmet medical need as well as a significant commercial potential. In addition, the company's medicine under development has applications in other neurodegenerative disorders, including Parkinson's Disease, Alzheimer's, and multiple sclerosis. It is management's assessment that the company will be able to raise the required capital, and has the necessary expertise to successfully drive the pre-clinical and clinical development of the company's drug candidates.

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	55,485
Additions	66,343
Cost end of year	121,828
Depreciation and impairment losses beginning of year	(3,497)
Depreciation for the year	(16,359)
Depreciation and impairment losses end of year	(19,856)
Carrying amount end of year	101,972

7 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Convertible and dividend-yielding debt instruments	5,749,688	9,952,000
Other payables	0	10,625
	5,749,688	9,962,625

Accounting policies

Reporting class

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

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

Other operating income

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of equipment.

Other financial income

Other financial income comprises interest income on receivables from payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses on payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	5 years
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Items of equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

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